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## Near East/South Asia Report

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30 August 1985

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REGIONAL AFFAIRS

GULF STATES SECURITY FACES ACID TEST

London AL-TADAMUN in Arabic 20-26 Jul 85 pp 9-14

[Article consisting of three separate reports: "The Gulf Faces Its Most Difficult Experience"]

[Report from Kuwait by Husayn Salamah]

[Text] Life was going on as usual. The few hours of work on Thursday were over and the Kuwaitis went out with their houseguests to get ready for the weekend.

Suddenly, that Thursday evening of 11 July 1985 turned into a sad evening, painted black by terrorism. Two bombs exploded in two usually crowded cafes while families gathered in a nearby park. Lives were lost, blood was flowing, limbs were strewn about and ambulance carrying the wounded to the hospital sounded their sirens.

But was this the whole story? Of course not!

It is clear to any observer that Kuwait is targeted as a part and the gulf's security and stability is targeted as a whole.

Whereas the attempt on Shaykh Jabir al-Ahmad al-Sabah opened eyes to the fact that Kuwait was a candidate for organized terrorist strikes aimed at the entire region, the 11 July 1985 incident confirmed this very fact and opened eyes once again to this danger that carries within it the seeds of strife threatening the entire area.

On the following pages, AL-TADAMUN correspondents in Kuwait, Riyadh and Qatar follow the incident and its repercussions.

The perpetrators of the Black Thursday massacre wanted to blow up Kuwait with its democracy and its stand on issues. The disaster put the question of security in the gulf to the test.

Kuwaiti officialdom had barely stopped talking about the attempt on the life of its ruler, Shaykh Jabir al-Ahmad al-Sabah (Saturday, 25 May 1985) and about what it meant to Kuwaiti security in particular and Arab Gulf security in general, when another incident occurred on Thursday, 11 July 1985 to add another dimension to the subversive attempts against Kuwait and to raise once again the question of security in a more urgent fashion, not only with regard to Kuwait, but also on the level of all gulf countries.

What happened that Thursday evening was a massacre that appalled the entire country, citizens and alien residents alike, and turned that day into a black September day, a day of national mourning when innocent people, none of whom, including their families and friends, had any idea that that evening would turn black the way it did, lost their lives.

Two highly explosives charges were planted by destructive hands in two popular cafes, resulting in 8 deaths and 88 injured. It was easy for the terrorists to plant time bombs in two popular cafes usually frequented by Kuwaiti citizens on their weekly day off (Friday). These two cafes are located directly on the beach, one in a al-Salmiyah area and the other in al-Sharq area. Every Thursday evening, Kuwaitis take their families, women and children, to the beach for rest and relaxation after a full week's work or, for the children, staying home because of oppressive weather conditions. This outing can only be done at night during a relative drop in temperatures which can sometimes reach 50 degrees centigrade. Unfortunately for the victims of this disaster, and to complete this heinous crime, the dust that had settled over Kuwait for over 3 weeks lifted the day of the incident and the weather tempted people to go out.

The black Thursday disaster in Kuwait claimed 96 victims, 8 of whom joined the host of martyrs of thoughtless terrorism. Most of the victims were innocent children out to have a good time on the beach under parental supervision. The terrorists, however, insisted on taking away their innocence, dashing their parents' dreams for the future, hence the disaster. But what have the terrorists gained and who is behind them?

By such criminal acts they will neither shake any throne nor change any position. We have an Arabic adage which says "he who tests the well-seasoned has a demented mind." Kuwait has said once and again in reply to every terrorist act against it that it will not change its basic positions toward national and Islamic issues. Ever since the bombing campaign against Kuwaiti oil tankers began on 12 January 1984, and through the hijacking of a Kuwaiti flight to Tehran and the assault on Shaykh Jabir al-Ahmad al-Sabah's motorcade, Kuwait has confirmed over and over again its adherence to its stands and principles. It renewed its confirmation of this position on the evening of black Thursday following an urgent meeting held by the Council of Ministers under the chairmanship of Shaykh Sabah al-Ahmad al-Jabir, acting prime minister and interior minister, to discuss the catastrophic massacre which took place at 8:55 pm Kuwait time. In a communique issued right after this urgent session convened at 10:30 pm, the council said it studied the two bombings in the areas of al-Sharq and al-Salmiyah, announcing that, according to initial reports, 8 persons were killed and 56 injured. The council strongly condemned this criminal act aimed at innocent lives accustomed to spending the weekend with their families in these two places, reaffirming that such mindless acts of violence will not alter Kuwait's established position and that Kuwait will continue to be an oasis of security and stability despite the desperate actions of some malicious elements whose aim is to destabilize the country.

Interior Minister Shaykh Nawwaf al-Ahmad al-Jabir had inspected the two sites, as had the ministers of state for cabinet affairs, Rashid al-Rashid and for social affairs and labor, Khalid al-Jumay'an, before the start of the urgent session. During the session, the interior minister explained to the council the initial reports on the two incidents. With this in mind, the council reviewed ways for dealing with such a reprehensible crime in order to expose the perpetrators and drew up a plan to follow up the various aspects of the crime. It was necessary to close the airport to departing flights and allow incoming flights to land. The same applied to all the border points.

Early Friday morning, a few hours after the council of ministers meeting, the interior minister chaired a security meeting attended by senior ministry officials to review recent developments concerning the incident.

Kuwaiti naval units were entrusted with the task of closing the territorial waters. These units conducted a sweep of the Kuwaiti coast.

The two bombings were aimed at the gardens of the two cafes where children play. The scene at the Kuwaiti beach after the two bombings-- which are believed to have gone off within 2 minutes of each other--was dreadful, according to eyewitnesses. Parts of children's bodies were strewn everywhere, innocent blood flowed over the sand, confusion and chaos spread over the beach and the screams and wails of bewildered mothers looking for their children could be heard everywhere. Amid such wailing and screaming, the moans of the injured were lost. Eyewitnesses told AL-TADAMUN that the incident was so startling that mothers were pulling their children in every direction. Some headed toward the sea and some wandered aimlessly on Gulf, one of the main streets in Kuwait along the beach.

But police, rescue and fire squads immediately went to the scene to begin their difficult task of maintaining order, rescuing and transporting the wounded to the government hospital, evacuating bodies and restoring peace among the people whose fear was mixed with pain and sorrow while watching what had happened to them.

In the throng of official efforts to deal with this barbarous massacre, competent authorities received a report about a bomb at the Kuwaiti National Assembly building. A civil defense force was promptly dispatched to search the building but nothing was found. This was a false alarm aimed at confusing officials and the security agencies. The police blew up a car parked in front of al-Salmiyah post office, suspected of being rigged with explosives.

One more key question remains: What do the terrorists hope to accomplish by such barbarous acts? Why are children being killed in the throng of conflicts with which Kuwait has nothing to do?



Official Kuwaiti authorities were forced to close parks and the amusement park until further notice. People were forced to avoid public places and go straight home from work. Why? What do they want from Kuwait? It is quite clear that it is no longer a matter of prisoners held in the 1984 bombings. The worst fear is that the intention is to make Kuwait pay the price for its democracy and freedom. This is how the war began against Lebanon, a land of democracy and freedom.

Finally, as much as Kuwait is the main injured party in this catastrophic massacre, these repeated acts place the entire gulf area face-to-face with the matter of threatened security which is actually being put to the test.

[Report from Riyadh by Husayn Karim]:

Kuwait is paying the price for its national positions and its international open door policy. Its democratic climate has created a language strange to the ears of some parties.

Once again, why Kuwait?

Is it because it is the model of a small country forced to adopt largely independent positions at the international policy level?

Or is it because it has displayed great courage in dealing with the schemes aimed at its security?

Or is it due to its democratic experience, considered by some as the main reason for choosing the Kuwaiti arena to strike at security in the region?

Or is it because of its location at the most dangerous intersection between the raging war on the gulf's banks and the feverish international struggle over the region's resources?

It may be this or that. What is certain, however, is that Kuwait at present is passing through the most complicated bend in its march toward stability in the shadow of the bombings enveloping its skies. Perhaps the best way to describe the state of disarray in which Kuwait is currently living is the opinion reflected in its press that Kuwait today is standing in the calm zone between two storms, a violent raging storm represented in the Iraq-Iran war and another upcoming one which may be the lava that spreads around the highest temperatures of the hot gulf summer so difficult to endure.

Hence, one can understand the speech of the Amir of Kuwait, Shaykh Jabir al-Ahmad, delivered following the attempt on his life: "We have been able to maintain friendly and brotherly relations with our neighbors, but a large part of God's grace has been altered."

The grace the Kuwait amir was talking about is the grace of the sense of security. Kuwait's arena has turned into a theater for a series of bombings, the most recent of which were the two incidents last week in two

popular cafes along the seashore. The two bombings happened almost simultaneously, at around 21:00 hours local time, at two cafes located on Arab Gulf Street, close to al-Sayf Palace and to the place where the abortive attempt on the amir's life took place last 25 May. The first bombing, the more violent of the two, occurred in the yard of al-Sharq Cafe, frequented by many families, and resulted in five deaths and four injuries. The second bombing occurred at a cafe on al-Salmiyah beach about 5 km to the south and resulted in nine injuries.

Eyewitnesses said the bombing near the cafe on Gulf occurred at a very busy time, causing chairs to fly about and parts of the bodies of the dead to be scattered all over the place. Blood covered a large area of the place and several people passed out. The place was filled with confused calls for help by people looking for relatives or friends. The Kuwaiti authorities a few hours earlier had announced that a mysterious dreadful fire in al-Musaylah industrial area had been brought under control. Five persons were injured in this fire which spread over a 2-kilometer-square area.

Gulf circles noted that these two bombings came at a time when Kuwait was imposing strict security measures following the abortive attempt on the amir of Kuwait. These measures were coupled with a request by some Kuwaiti National Assembly members to dig a trench in the desert along the borders with Saudi Arabia and Iraq to keep out infiltrators.

What is interesting is that since the institution of tighter security measures in Kuwait, which resulted in the deportation of several hundred suspects living there, media campaigns waged by Iran against Kuwait have been stepped up. Iran has accused the Kuwait Government of singling out its subjects for deportation and threatened retaliation in a way which suggested to the Kuwaiti Government that such disturbances in the Kuwaiti arena are not far from the Iranian opposition's claim that the regime in Tehran had prepared special teams to undertake terrorist operations in the gulf area.

This portrait, however, does not reflect the truth of all the sides which could be behind the attempts to set Kuwait on fire and threatens to spread all over the region. A gulf source attributes the news that more than one Arab and international side are behind the recent events in Kuwait to several elements. This underscores the assertion that Kuwait is paying the price for its firm stands on Arab and national issues.

This source told Al-TADAMUN that Kuwait's recent stand on the war in the camps, coupled with demands by some deputies to cut off material aid to Syria, must be taken into account when examining current events in Kuwait. Tension in Syrian-Kuwaiti relations, exacerbated by Syria's pro-Iran position, in addition to the recent strategic alliance between Tehran and Tripoli, is indeed another "ember" to be added to the other embers threatening to set the gulf on fire.



The Kuwaitis say they do not know whether an actual alliance does exist between Amman and Baghdad, in response to claims by Damascus, but if it did exist, they can understand the motive behind it in view of indications of a Syrian-Iranian alliance which began emerging when Khomeyni assumed power in Tehran, thus in some Arab regions causing unrest which threatened to disturb the existing balances. This consideration heads the reasons for the chill between Damascus and Kuwait. Add to that Kuwait's attitude toward the recent Syrian stand on the war in the camps, which did not sit well with Kuwaiti official and popular circles, and hence the emergence of a Kuwaiti vernacular new to Syrian ears.

However, the emergence of regional fingers in setting Kuwait on fire does not mean that international influences in this direction should be ignored. The fact that Kuwait is the only gulf country which maintains relations with the Soviet Union and calls upon its sisters in the Gulf Cooperation Council [GCC] to follow suit, gives the impression that the great powers, such as the United States, are uneasy about the possibility of the Kuwaiti epidemic spreading to other gulf states, particularly in view of a Western report to the effect that squeezing the gulf states into a security corner may lead them, all of them, to reexamine their relations with the Soviet Union. These reports were based on several stances by more than one gulf state, the most recent of which was a statement by the Bahraini prime minister demanding the establishment of balanced relations between the GCC states and Washington and Moscow.

These reports offered viewpoints that the Iraq-Iran war had helped, to a large extent, turn the spotlight on the reality of the region, has exposed the spurious bet on this or that country in facing the dangers suddenly threatening the independence of the gulf states and has forced officials there to follow a policy stemming from a strategy the terms of which the GCC states have begun to draw up and implement. Therefore American condemnation of the Kuwait bombings was more of a gesture than a political stance, for the United States, according to an informed gulf source, finds itself in a tempting position of exacerbating the gulf states' fears in order to improve the terms of negotiations with the Soviet Union in the supposed summit between Reagan and Gorbachev next fall. No one knows on what the two leaders will agree or disagree, but Arab fears in general and gulf fears in particular about this summit are justified in view of the international silence concerning events in the area.

Saudi Arabia a long time ago realized that the gulf area's state of weightlessness would subsequently lead to instability in the gulf states. That is why King Fahd, through his contacts with the GCC leaders, was keen on offering political, diplomatic and military observations about what the gulf position ought to be.

Hence, his severe condemnation of the Kuwaiti bombings is considered a translation of a fixed position on the subject of gulf security. Moreover, the communique issued by the Royal Diwan concerning these events and his telephone conversation with the Amir of Kuwait, in addition to the envoy,

Prince Sa'ud al-Faysal, he dispatched to Kuwait, embodied the kingdom's understanding of the nature of the dangers these repeated acts of sabotage in Kuwait posed to the stability of the region. The Saudi press reflected this concern of the Saudi leadership by its prominent page-one coverage of these explosions. It warned in its lead editorials against the consequences of the motives of the aggressors and their goals aimed at opening the Kuwait arena to racial and sectarian strife in order to set the peaceful Arab nation on fire because of groups whose affiliations, tendencies and motives are unknown, save for the sole desire of destroying the Arab world.

A western diplomat commented on the heated situation in the gulf, saying:

The GCC states have the political and material influence to take the gulf area out of its present dilemma. So, will these countries resort to debating a plan founded on this basis in the summit meeting to be held in Muscat next November, or is the plan already drawn up for the region beyond the abilities of the GCC states, where security is facing the acid test?

[Report from Doha by Salih Zaytun]

When the Kuwaiti minister of state, Rashid al-Rashid, stood up at the 15th session of the recent GCC prime ministers' meeting in Abha to present to the conferees the results of investigations concerning the attempt on the life of the Amir of Kuwait, he did not know that he would have to contact his council colleagues once again to apprise them of the preliminary investigations concerning the terrible bombings two Thursday ago (11 July 85) in the heart of Kuwait.

This report out of Qatar follows events in Kuwait on the one hand, and also sheds light on the Abha meetings which were dominated by the security obsession.

Like other GCC states, Qatar was shaken by the dreadful bombings at the popular cafes in Kuwait. It was quick to denounce and condemn such terrorist acts aimed at destabilizing the gulf and undermining its security.

Qatar's crown prince, Shaykh Hamad Ibn Khalifah al-Thani, contacted the Amir of Kuwait to ask about the incident and convey to him Qatar's position which endorses the tight and necessary security measures Kuwait is adopting to prosecute and punish the criminals. Officials and semi-officials media in Qatar, for their part, reflected Qatar's official and public concern over the bombings in Kuwait. Qatari newspapers called for closer security cooperation and coordination among the gulf states and tighter security measures internally and across the various land and sea gateways, in addition to stiff penalties against anyone entertaining the thought of tinkering with the security and stability of the region.

The Qatari newspapers warned that the bombings in Kuwait were aimed, among other things, at forcing the countries of the region to retreat from their basic national stances and to extinguish the torches of freedom and democracy. One publication, AL-'AHD magazine, linked the bombings in Kuwait to the hijacking and the Palestinian camps war in Lebanon, saying the perpetrators are almost the same, as are the instigators and beneficiaries.

It was noted that the countries of the area in general rushed to beef up their security measures in reaction to what happened in Kuwait. It is believed that the security delegations from GCC countries will go to Kuwait to examine the situation first hand and coordinate deterrent measures against criminals. Tighter security in the United Arab Emirates resulted in the uncovering of Iranian terrorist networks crossing by sea to Dubai where police in 1 day arrested 61 Iranian infiltrators, including whole families, in the wake of the events in Kuwait. It turned out that one infiltrator was carrying a Czech pistol and 21 rounds of ammunition. The Dubayy police said another infiltrator and his wife fled, leaving behind their infant daughter. Investigations revealed that the infiltrators paid about 60 to 70 Iranian tumans to smugglers to smuggle them to Dubayy at a time when the police, during raids on the markets, discovered dozens of illegal aliens.

This is what prompted the Kuwaiti ambassador to Qatar, 'Abd-al-Rahman Ahmad al-Bakr, to warn that the subversive scheme which started in Kuwait is also aimed at the other Arab and gulf states with a view to undermining security and stability in the region and forcing these countries to retreat from their established positions in their domestic and foreign policies. The ambassador emphasized, however, that these incidents would not influence Kuwait's position and democratic life. He revealed a connection between events in Kuwait and similar failed attempts in other gulf and Arab countries, saying the terrorist groups undertaking such actions were nothing but a front for other parties.

The Kuwaiti ambassador urged the institution of a comprehensive gulf security plan beyond the exchange of information and expertise, as is the case right now, pointing out that Kuwait had allocated 15 million Kuwaiti dinars for drawing up an internal security plan and was going to deport 500 suspects after ascertaining their connection with the subversive schemes and instigators. The ambassador hastened to say, however, that the deportation plan will not include all aliens and will not be arbitrary, emphasizing that the gulf states could not do without the Arab aliens who are concerned about the area's security and contribute to its growth and development. It is noteworthy that the security obsession reigned over the 15th session of the GCC states' council of ministers held in Abha, Saudi Arabia, on 8 and 9 July.

Although the ministers, as is their habit in every session, did not fail to discuss the main political issues on the national and regional levels, the security issues, which have strongly presented themselves recently, prompted them to concentrate most of their discussions on them, leaving it up to the

GCC interior ministers, scheduled to meet in Riyadh in August, to take care of the final details of what can be described as a security agreement to be observed until the hurdles which have been blocking such an agreement since the GCC was formed 4 years ago are overcome.

The Kuwait minister of state, Rashid al-Rashid, apprised the conferees of the investigations conducted in connection with the attempt on the life of the Amir of Kuwait who is, at the same time, the chairman of the current sessions of the Supreme Council of the GCC states by virtue of the fact that the fifth gulf summit will be held in his country next November.

Information available in gulf circles says that the conspiracy has been completely foiled and the actual perpetrators have been taken into custody, although these circles are holding back information to the effect that two countries (one of them Arab) were involved in the operation aimed at destabilizing Kuwait and the gulf as well.

It is believed that the ministers discussed the abortive operation in Qatar at the beginning of July when three persons tried unsuccessfully to abduct the deputy commander in chief of the Qatari Armed Forces, Brig Gen Muhammad al-'Atiyah, but were arrested by the security forces who conducted an investigation of the incident. The investigations, however, failed to reveal any political dimensions and the operation was limited to a narrow scope, although the Qatari Government issued a communique in this regard to explain the situation before the mass media blew it out of proportion.

The ministers asked their colleague, the UAE minister of state for foreign affairs, Rashid al-'Abdallah, about the security situation in his country. He assured them that it was fine, particularly following the series of fires in Abu Dhabi and Dubayy where a shopping center, including jewelry and rug stores on Hamdan St in Abu Dhabi, burned down and a complete market in Dubayy was destroyed. The fire also spread to nearby farms, the same phenomenon witnessed in Kuwait a few days earlier when a huge fire broke out in al-Musaylah warehouses causing heavy losses.

The ministers, however, were more keen on finding out from Rashid 'Abdallah about his visit to Baghdad a day before the Abha conference, the purpose of which AL-TADAMUN has learned, was to reassure the Iraqi leaders about the United Arab Emirates established position concerning the Iran-Iraq war and its intention not to allow Iranian ships to use some of its ports, as has been recently rumored.

The minister then reviewed the situation in the region in light of the escalation of the Iraq-Iran war. GCC Secretary General 'Abdallah Bisharah announced the council's intention to continue its contacts with the competent sides and with Arab countries and international organizations to endorse endeavors aimed at finding a peaceful solution to this destructive war. The ministers expressed their hope that such endeavors would result in a speedy end to the war.

The ministers also discussed Iran's seizure of the Arab Maritime Company's ship, "al-Mahriq," in international waters in violation of the law of the seas and the freedom of navigation in international waterways and of international law as well. The council called upon Iran to release the ship immediately.

In this context, the Saudi minister of foreign affairs, Prince Sa'ud al-Faysal, apprised his gulf colleagues of the outcome of the Saudi-Iranian contacts represented in his visit to Tehran at the beginning of last Ramadan and the subsequent visit of an Iranian delegation to Saudi Arabia. It is believed that this will pave the way for an expected visit to Saudi Arabia by Hashim Rafsanjani, the chairman of the Iranian Revolutionary Council, during the pilgrimage season. However, this has not been confirmed yet.

Al-Faysal also apprised his colleagues of the outcome of recent Saudi contacts with Morocco, Algeria, Jordan, Syria and the PLO concerning the convocation of the urgent Arab summit in Casablanca on 29 July. He confirmed to them Saudi Arabia's endorsement of this summit which will not rob Saudi Arabia of its right to convene the ordinary summit which will be easy to hold in Riyadh the day following the gulf summit next November, after Arab conditions had a chance to crystallize better in light of the Morocco summit.

Gulf circles reported that Saudi Arabia was confident that Syria, Libya and Algeria would attend the summit if the discussions went beyond the main topic for which the Arab leaders were called into session, the war in the camp.

As host of the sixth gulf summit conference, the Sultanate of Oman presented proposals for security cooperation as an alternative to the security agreement which has been impossible to reach due to Kuwaiti reservations. The ministers heard their Omani colleague, Yusuf al-'Alawi 'Abdallah, minister of state for foreign affairs, speak about his country's concept of security and terrorism, emphasizing that the subversive activities the gulf states have been experiencing for 4 years require the people of the area to build an iron security cordon around the gulf to prevent disruptive elements and smuggled arms from getting in through land and sea boundaries. He called for tighter control of gulf state gateways, the naval zones in particular, to curb arms smuggling operations, such as the ones uncovered in more than one gulf state. He indicated that this requires additional measures to prevent more car bombings and explosions in sensitive areas of the gulf states.

Furthermore, al-Alawi openly called for the necessity to mobilize the gulf people in what he called "national rancor" against all terrorist organizations and elements, saying this will undoubtedly affect the status of Arab and foreign communities living in the gulf.

The Omani viewpoint is that the security agreement, which has stirred controversy since the creation of the GCC, has outlived its usefulness following increased subversive operations in the area and this situation



calls for security cooperation on new bases in accordance with a new security theory that takes into account changing circumstances whereby any new security agreement will strive to build the iron security cordon to combat the foreign elements linked to outside forces working to destabilize the gulf from within.

In this framework, it is believed that the ministerial council, convened in Abha, urged the interior ministers to strengthen cooperation in the security fields and to exchange enough information to encircle subversive activities, including strengthened security measures in airports, ports and land borders between the countries of the area. In this regard, the Sultanate of Oman was the most emphatic in calling for sterner measures for [controlling] movement between gulf states and stricter procedures for granting visas in order to stop the infiltration of foreign hands.

The interior ministers will have the task of discussing the final study related to the issuance of a unified gulf passport to facilitate procedures in this regard in accordance with unified laws compatible with the laws of each country separately, in addition to the unification of entry and exit permits to member countries. This will all be tied into the computer system of each country and abolish residency requirements for GCC citizens, provided this is done concurrently with the full application of the gulf economic agreement which is still bogged down with red tape, with only two of its stages having been implemented.

The general secretariat of the GCC is busy preparing a full study for unifying the passports of the council's six countries as far as color, shape, size and all the background data and information they should contain, in addition to matching them to ID cards and special personal and car licenses.

In the economic field, the ministers, at the conclusion of their meeting in Abha, urged that gulf producers be allowed to distribute their production directly without a local agent and equality between all private sector employees and GCC subjects with respect to employment rights and duties.

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ARMENIAN AFFAIRS

TURKISH SOURCES REPORT ON DISSENSION AT SEVRES CONGRESS

Istanbul MARMARA in Armenian 9 Jul 85 pp 1,4

[Text] The 3d Armenian Congress began its deliberations yesterday morning in Sevres, a town near Paris, as announced previously. However, it appears that the congress will not have the expected number of participants because several Armenian organizations, particularly the Armenian Revolutionary Federation [ARF], have refused to take part in the gathering. Furthermore, the restrictions imposed on the press corps by the organizer of the congress prevented reporters from covering or wishing to cover the event. Reporters were not allowed to attend the deliberations of the conference but were allowed to have interviews with organizer James Karnuzian after yesterday's session. CUMHURIYET writes today that Armenian-Kurdish relations will be a major topic of discussion during the conference. Meanwhile the MILLIYET correspondent reports from Paris:

The 3d Armenian Congress which began its deliberations yesterday in Hotel Sofitel near the Gate of Sevres encountered difficulties from the very outset, and the issue of Soviet Armenia gave rise to dissension among the participants.

Views were exchanged with regard to creating a "second Armenia" by the side of Soviet Armenia, and it was debated whether efforts must be made in that direction. James Karnuzian, the organizer of the conference, attempted to end the arguments with a resolution satisfactory to all sides, but he too failed. This issue was debated at the 1983 congress as well but the differences could not be resolved. Indeed, the participants at the Lausanne conference debated this issue at length. The same debate was repeated yesterday, and the opposing sides argued extensively using various historical data.

It is reported that the conference will continue its deliberations until Saturday, and various committees consisting of delegates from several countries will examine the issues on their agendas. In this connection it has been mentioned that there are a number of sharp differences among the various participants as it became evident from the very first day of private conversations and interviews.

Responding to a question, Karnuzian admitted that the "congress does not represent the entire Armenian nation, particularly since the Dashnak party [ARF] has no representatives in this gathering."

It has been learned that 60 delegates are taking part in the Armenian congress. Karnuzian stated that these delegates represent Armenian communities in 20 countries and that a special committee will be formed after the conference to be in constant touch with the people. Karnuzian added that at the end of the conference a draft "Armenian constitution" will be examined and emphasized that the delegates who are participating in this congress have no affiliation with any political parties and that representatives from the Hunchak Social Democratic Party and the Democratic Liberal Party are attending the congress as observers only.

On Friday morning, a special press conference will be held during which information will be given about the work of the congress and future plans. On Saturday elections will be held at which time the congress will draw to a close.

The Dashnak party, which is one of the largest Armenian organizations, has refused to attend the Sevres congress as it boycotted the Lausanne congress in 1983. Responding to questions on this issue, Karnuzian said: "Wait and see."

9588

CSO: 4605/193

## DIVERSIFICATION, LIBERALIZATION OF ECONOMY DISCUSSED

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English Jul 85 pp 60-63

[Text]

The medium-term economic problems facing the Algerian economy have much in common with those facing other major oil-exporting economies. These problems largely arise from the coming to an end of the long period of secular growth in oil-export revenues during the 1960s and 1970s. During that period, the economies of the major oil-exporting countries were geared to their rapidly-expanding oil sector such that, by the early 1980s with the slackening of the world oil market, these countries witnessed considerable structural tensions in their economies.

From the early 1980s it became clear that, to continue to grow, these economies had to undergo an initial restructuring to accommodate sluggish oil-export revenues. What made these problems worse in the case of the Algerian economy was that two decades of highly bureaucratised manipulation of the economy had given rise to a highly rigid sectoral and institutional set-up, which made the problem of readjustment more difficult. Emphasis on the development of heavy industry without due regard to the structure of domestic demand, and at the expense of light industry and agriculture, added to the problems common to oil-exporting economies in general — the lack of attention to diversification of the economy and development of alternative sources of foreign exchange revenues.

By the late 1970s the Algerian economy had developed a relatively large heavy manufacturing sector, largely in the form of turnkey projects with negligible

domestic cooperation which, not having adequate domestic outlets and not competitive enough to export, was largely underutilised. The neglect of the agricultural sector had made the economy dependent on imports for a large share of its food supplies, while at the same time the lagging behind of consumer goods industries had gradually built up a substantial mismatch between the structure of demand and supply in the domestic economy, which became particularly manifest in the post-oil boom surge in consumer spending. The lack of development of private industry and the existence of a highly bureaucratised and rigid public sector made the re-alignment of structural rigidities a difficult task.

These problems have preoccupied much of the economic policy agenda of President Chadli Benjedid's government since 1979. The second five-year plan (1985-89) of the new government, which was approved by parliament late last year, exhibits its continued concern with these central problems. A central theme of the new plan is the realisation of maximum production potential through a reduction of waste and increased efficiency, and fuller utilisation of the existing facilities. Greater decentralisation and administrative competence is stressed, and the private sector's role in the development process is enhanced. Resources are planned to be directed towards priority sectors such as agriculture, water supplies, infrastructure and manufacturing, in a way which is hoped will help reduce the high degree of

dependence of the economy on hydrocarbons earnings.

The 1985-89 plan projects an Algerian dinar 550bn investment expenditure package, 37.3 per cent higher than the 1980-84 plan's AD400.6bn investment. Non-hydrocarbons GDP is planned to grow at an annual average rate of 7.6 per cent, while the growth of the hydrocarbons sector is set at only 4.0 per cent. High annual growth rates are targeted for water and energy (10 per cent), manufacturing (9 per cent), and public works (9 per cent). Given its past performance, the 4.5 per cent projected growth for the agricultural sector appears ambitious to many specialists, and reflects the renewed interest of the government in this sector and its worries about the increasing dependence on food supply imports.

Under the present world economy conditions these projections for the growth of the Algerian economy during the next five years may appear too ambitious, and if realised they would be counted as a considerable achievement for the Algerian government. The continued slack in the oil market would be the main source of danger which may jeopardise the realisation of the new five-year plan. In fact, the decision of the December and January meetings of Opec to reduce the price of light crude has already caused the postponement of the ratification of the plan by President Chadli. Considering the new developments in the oil market, the plan is presently undergoing revision and a new version is expected to appear this

summer. Despite these difficulties, as the allocations of the 1985 budget clearly indicate, the government is determined to go ahead with the main guidelines set up in the plan and there would be no revision in the overall strategies of development. The size of the plan may, however, have to be tailored down to take into account the oil market situation.

The vital importance of the hydrocarbons sector for the Algerian economy arises from the fact that the sector accounts for about 50 per cent of GDP and almost all of the merchandise export earnings. Algerian crude oil production attained its maximum of 50m tonnes in 1973, and since then production has been levelling off to 47.4m tonnes in 1980 and 31.3m tonnes in 1983. In 1984, production is estimated to have dropped by another 3.8 per cent, reaching the level of 29.5m tonnes. Despite these downward trends, however, the state oil company Sonatrach succeeded in increasing the overall hydrocarbons revenues by gradually diversifying away from crude oil to condensates, natural gas, and liquefied natural and oil gas.

The policy of the Algerian government since the mid 1970s has been to shift the economy from being an oil exporter with marginal gas exports into being a gas exporter with a marginal amount of oil by the end of the century. This policy is in conformity with the resource availabilities of the economy. While Algerian oil reserves are limited and will run out before the end of the century, the country's natural gas reserves of almost

Table 1: Balance of payments 1978-83

	1978	1979	1980	1981	(million \$)	
					1982	1983
Merchandise export	6340	9484	13652	14112	13509	12742
Merchandise import	7293	7805	9596	10088	9889	9516
<b>Trade balance</b>	<b>-935</b>	<b>1679</b>	<b>4056</b>	<b>4024</b>	<b>3620</b>	<b>3226</b>
Other goods & services	-2585	-3310	-3807	-3939	-3803	-3312
<b>Current account</b>	<b>-3538</b>	<b>-1631</b>	<b>249</b>	<b>85</b>	<b>-183</b>	<b>-86</b>
Long-term capital	3050	2432	898	97	-956	-848
Short-term capital	-19	-317	194	28	68	513
<b>Total balance</b>	<b>93</b>	<b>484</b>	<b>1341</b>	<b>120</b>	<b>-1071</b>	<b>-421</b>

Source: International Monetary Fund

3000bn cubic metres are exceeded only by those of the Soviet Union, the US and Iran. Gas has already overtaken crude oil as the main source of foreign exchange revenue, and the foreign exchange constraint of the Algerian economy over the next plan period would be geared more to what happens in the gas rather than crude oil market.

These two markets, are, however, highly related; not only due to the fact that oil and natural gas are close substitutes in various fields and that factors affecting world energy demand in general are likely to influence them both in a similar manner, but also to the fact that Algeria's gas contract prices are indexed to crude oil prices. Opec's decision in its December and January meetings to reduce the differential between the prices of light and heavy crudes by \$1 per barrel, badly hit light exporters such as Algeria. From July 1, Algerian gas customers, mainly Western European countries and the US, will pay about 4 per cent less for Algerian gas as the full effect of Opec's oil price cut will filter through to natural gas sales.

While during 1984 Algeria was able to maintain its overall hydrocarbons export revenues by the substitution of its declining oil exports with natural gas, such a practice will turn out to be increasingly difficult during 1985. The downward pressure on oil prices in the spot markets, and the mounting pressures on the Algerian government to soften its gas price policy to retain its long-term contracts in a market which is increasingly becoming a buyers market, are bound to take their toll on Algerian foreign exchange resources this year.

A further consideration is that in 1984 hydrocarbons export revenues were maintained only in Algerian dinar terms: in dollar terms they actually fell by 5 per cent, due to the appreciation of the US dollar. The downward pressures on the US dollar and the projections of its major devaluation in 1985 is another unfavourable factor which has to be taken into account — in particular, because the major part of Algerian imports has to be paid for in non-dollar currencies. Given the saturation of gas demand for heating in Europe and the US, and the projections of hydrocarbons-based energy demand in the world economy — which is not likely to pick up in a major way until well into

the 1990s — the assumptions upon which the 1985-1989 plan targets were set in 1984 are unlikely to be met.

Given these difficulties, the balance of payment pressures are likely to mount during the plan period and the government would be less likely to continue the reduction in external debt it has been achieving for the past three years. Algeria's foreign debt is currently estimated at about \$15bn, making it the most indebted Arab state. The debt/service ratio attained its peak of 39 per cent in 1984, but it is projected to fall to less than 30 per cent by the end of the plan. Under these circumstances, even if the country could maintain its foreign trade balance as it appears to have done over the previous (1980-84) plan, new borrowing is still needed to service the outstanding foreign debt. The foreign exchange problems have had their toll on the foreign exchange reserves, which by the end of 1984 stood at the low level of \$1.5bn (excluding gold), down from their peak of \$3.8bn in 1980.

In view of these problems, Finance Minister Ali Oubouzar in a recent interview stressed the need for greater participation from the national banking sector to finance investments and cut foreign debt. It should be noted, however, that the financial problems of the Algerian economy arise from forces operating on the real side of the economy, and their alleviation depends on the ability of the government to introduce the necessary structural adjustments which are needed for greater utilisation of domestic resources and diversification of the economy. In other words the medium-term prospects of the Algerian economy depend on the government's ability to effectively implement the reforms set down in the draft plan, under more austere financial conditions than when the plan was drafted in 1984.

The financial constraint in the Algerian economy is basically a balance of payments constraint; to be more specific, the 10 per cent likely not to materialise, giving rise to balance of payments pressures which may handicap the plan. In this case, to implement the AD550bn investment plan, it would be necessary to rely more heavily on foreign borrowing or to curtail the 5.8 per cent projected rate of growth of real consumption or, more realistically, to do both. This would be the



case, however, only if the government is successful in implementing the reforms which are necessary for the materialisation of growth projections in other sectors of the economy, in particular the agricultural sector.

The investment allocations of the plan indicate the new priorities of the government in giving more emphasis to agriculture and infrastructure in inverse proportion to industry and education and health. The share of industry in total government investment, which was as high as 50 per cent during the 1970s, has successively declined to 38.6 per cent and 31.6 per cent during the 1980-84 and 1985-89 plans. The share of agriculture and irrigation, about 12 per cent in the 1980-84 plan, has risen to 14.4 per cent in the new plan (Table 2). A larger part of transport and economic infrastructure expenditure is also being directed towards the stimulation of agricultural production. According to the planning ministry, the new strategy is to stimulate agricultural productivity, while giving a freer hand to the private sector in industry.

The post-independence performance of Algerian agriculture has been disastrous. In a recent interview with *El Moudjahed* the Algerian agriculture minister, comparing the present level of cereal production with the peak pre-independence year (1956), declared that the aim of the plan is to achieve 1956 levels (2.6m tonnes) by the end of the plan. According to FAO statistics, Algerian cereal production declined from 2.3m tonnes in 1976 to 1.5m tonnes in 1982 and 1.2m tonnes in 1983. Increased cereal production is essential to the strategy of cutting food imports, the value of which in 1984 corresponded to about 20 per cent of total foreign exchange revenues from the hydrocarbons sector. Wheat imports alone cost more than \$700m a year.

With the priority given to agriculture in the new plan, the government hopes to improve the presently very low cereal yields while achieving self-sufficiency in white meat, commercial vegetables and some fruits. A programme of intensive cereals cultivation on 1m hectares of land is planned, in order to double the yields from 0.6 tonnes to 1.2 tonnes per hectare. In addition, 70,000ha of new irrigated land is to be brought under cultivation by the end of the plan, benefiting from water

provided by seven new dams. A system of incentives is also designed to stimulate private agriculture. During the last plan white meat and egg production were increased through incentives to private farmers. This would be expected to continue in the new plan period, together with price subsidisation to cereal farmers who at present benefit from cereal prices that are double world market prices.

The encouragement of the private sector will be emphasised both in agriculture and in industry. Planning Minister Ali Oubouzar in a recent interview referred to the roles of private and public sectors as complementary rather than competitive. Some observers have interpreted this statement as implying that the government will continue to encourage the expansion of the private sector so long as it is not at the expense of the public sector. Though at present the Algerian economy is one of the most centralised economies in the world, it nevertheless remains true that since 1979 many farmers and businessmen have benefited from the liberalisation policy of President Chadli's regime and will increasingly continue to do so in the new plan period.

The 1985 budget has established two guarantee funds for the extension of credits and market support to private firms and peasant farmers. The 1982 private investment code is also being amended to give more favourable treatment to private investors who produce for export, invest in tourism, or those whose investment involves an inflow of foreign currency. The latter is aimed at emigre Algerian businessmen — who are being encouraged to return home from Europe — and foreign companies. A five-year tax holiday is granted to farmers who reclaim new land and companies setting up in development areas. Such moves indicate that the government is poised to seriously pursue its declared aim of giving a greater role to the private sector.

While the encouragement of the private sector is hoped to increase the efficiency and productivity of the agricultural and industrial sectors, it is essential for the government to be on guard against the undue increase that such encouragement may produce in private consumption. This is particularly important at a time when the slack in hydrocarbons export markets



**Table 2: Planned investment 1985-89**

	1980-84		1985-89	
	bn AD	%	bn AD	%
Agriculture	47.1	11.7	79.0	14.4
Industry	154.5	38.6	174.2	31.6
Transport & communications	23.0	5.7	40.8	7.4
Economic infrastructure	23.2	5.8	45.4	8.3
Housing	60.0	15.0	86.0	15.7
Health & education	49.2	12.2	53.0	9.6
<b>Total (including others)</b>	<b>400.6</b>	<b>100.0</b>	<b>550.0</b>	<b>100.0</b>

Source: Economist Intelligence Report, March 1985

**Table 3: Structure and growth of National Income, 1970-82**

	Per cent of GDP	Annual growth rates	
	1970	1982	1970-82
Private consumption	54.5	46.1	9.3
Public consumption	18.3	15.1	10.8
Gross investment	36.2	37.5	11.0
Exports	20.0	30.4	-0.3(1)
Imports	-29.0	-29.2	10.8
<b>Gross domestic product</b>	<b>100.0</b>	<b>100.0</b>	<b>6.6</b>

Source: IMF and World Bank

1- Excludes terms-of-trade effect

is imposing increasing financial stringency on the country. A further important consideration under these circumstances is for the government to control the growth of its current expenditure. This is a counterpart of one of the important guidelines of the new plan, namely the achievement of greater administrative efficiency and competence, with the beneficial effect of releasing resources for employment in productive sectors of the economy.

While the final draft of the new plan is still not available, the 1985 budget, which was approved when the new plan was presented to parliament last December, indicates that the government is paying due attention to these considerations. The 1985 budget relies more heavily than the previous year's budget on increased tax revenue from the non-hydrocarbons sector to finance its expenditure. Direct

taxes would contribute AD9.6bn, a 9.5 per cent increase over the previous year, while indirect tax revenues and corporation taxes are to provide AD7bn and AD17.5bn respectively, showing a 10 per cent increase on 1984 figures.

Such tax increases will have a dual beneficial effect. On the one hand they check the undue expansion of private consumption expenditure, thus easing the financial constraints to investment growth; on the other hand, they contribute to the diversification of the economy by mobilising funds which could be allocated to priority sectors for development purposes, either through pecuniary incentives to private investors or through direct government allocation. The new budget also limits the growth of the government's recurrent expenditure to 7.5 per cent, as compared to 18.4 per cent in 1984. These moves are in the right

direction and in conformity with the declared objectives of the 1985-89 plan, but to what extent the government will be able to implement them remains to be seen.

Though greater economic diversification and domestic resource utilisation is crucial for the long-term development of the Algerian economy, and its eventual emancipation from being a hydrocarbons-based economy, in the short- and medium-term, the key to the development prospects of the economy still remains the government's ability to develop its gas markets. One of the options which promises great potential for the development of Algerian hydrocarbons exports is to expand trade with other developing economies. Though Chadli's regime has been very vocal on the issue of "south-south" cooperation and

trade, western markets still absorb the overwhelming part of its exports. In 1983 about 96 per cent of Algerian exports went to the West, compared to 95 per cent in 1980.

While stagnation in the industrialised economies and their energy-saving measures has given rise to a highly stagnant hydrocarbons market in these countries, the prospects for stimulating hydrocarbons exports through south-south trade still remains untapped. In particular, counter-trade deals between Algeria and other Third World countries who need to export more hydrocarbons-based energy, but do not have the hard currency to purchase through the international market, would be beneficial to both parties without necessarily undermining prices in the world oil market.

CSO: 4500/168

EGYPT

# LIBERAL PARTY COMMENTS ON PRESIDENT'S SPEECH

Cairo AL-AHRAR in Arabic 1 Jul 85 pp 1, 4

[Article by Mustafa Kamil Murad: "Comprehensive Speech and Fluid Decision"]

[Text] President Mubarak's speech before the local government conference covered all the important internal and external political issues. In the speech, President Mubarak discussed these issues with utter clarity and frankness and he was decisive and firm on whatever pertains to the government's position toward the radical currents, both rightist and leftist. This is obvious in the president's firm warning against any endeavor to undermine the country's stability and in his indubitable assertion that democracy and stability are the best guarantee for overcoming the economic obstacles being faced by the country, that the government will confront with utter firmness any tampering with the internal stability and that he will not hesitate to make the necessary decisions, should the need arise.

The president has made it very clear that the Egyptian people are their own master, that they are their own decisionmaker, that they accept custodianship from nobody, that respecting the country's constitution and constitutional institutions is something dictated by Egypt's democratic situation, that the government is fully aware of what is happening secretly and that it will confront any tampering that deviates from the framework of the constitutional legitimacy to which Egypt clings.

The president also pointed out clearly that there are forces that do not wish Egypt well and that they spend money to spread unrest and confusion and to tamper with the people's interests. In his speech, the president denounced the attempts seeking to mislead the people with shining slogans that actually aim at inflicting harm on the country and the citizens.

In the sphere of partisan action, the president stressed that the various political parties must put the country's interest above all other interests.

These are the main points included in the president's speech. The president then focused on internal development and on the intrinsic efforts the people must exert alongside the government's efforts, pointing out that popular participation in developing production and services is

something necessary that must be bolstered and encouraged, that all citizens are entitled to participate in making and implementing a decision and that the time when decisions were made by the higher authorities has gone. At the Arab level, the president pointed out frankly in his speech that the Arab situation has deteriorated in a regrettable and shameful manner, that superficial consultations are no longer capable of stemming this deterioration and that Egypt has done its utmost to heal the Arab rift but that this has led to no positive results, considering that the Arab arena has turned into an arena for inter-Arab fighting. As an example of this deterioration, the president cited the fact that an Arab country has been supplying missiles to strike another Arab capital and that another Arab country has been instigating the Lebanese sects to perpetrate the most shameful and heinous massacres. The president also appealed to the Arab states in the name of Egypt to put an end to the drain of death and destruction and to confront terrorist with utter firmness.

There is no doubt that the Liberal Party cannot but support the main points President Mubarak tackled in his speech on both internal and Arab policy. However, the party wishes to underline in this regard a number of points and steps that must be adopted to make it possible to achieve the objectives stated in the president's speech so as to entrench democracy in Egypt and to motivate the citizens to participate more strongly in making the country's future and enhancing development and prosperity.

First, the basis of sound democracy in Egypt is a flourishing freedom of opinion and expression, provided that this is achieved through the country's democratic channels, namely, the political parties, the People's Assembly and the Consultative Council and the national and partisan press. We believe that not enough dialogue is held between the political parties on the important issues through the various media. This reduces the citizens' participation in the decisionmaking.

Second, the country's economic policy still lacks clear-cut features. Taxes and customs fees still need to be reviewed comprehensively so that they may be made compatible with the open door policy. Moreover, the currency policy is still following a path leading to a multiplicity of exchange rates on the Egyptian pound and the dollar. The interest rates paid for deposits, bonds and investment certificates still need to be coordinated and balanced. Import permits are still the system followed in foreign trade even though this system has proven its failure and even though customs fees have not so far been used as a means to curtail the importation of luxury goods in a manner compatible with the open door policy.

Third, the country's construction capability, especially in the field of utilities, is still unable to implement the construction plan and this has led to an increase in the number of unliveable houses. Moreover, the current housing laws need comprehensive amendment.

Fourth, government services to all the citizens are still slow and complex, thus obstructing and preventing completion of production projects.

Fifth, reforming the public sector, correcting the financial structures of its companies and correcting the financial structures of the open door companies in which the public sector is a partner has not been achieved yet and this has a direct impact on the rise in prices and on the growth of the inflation rates.

Sixth, the government's policy on rationalizing subsidies is still unclear and subsidies are being lifted shyly and uneconomically. Subsidy rationalization, i.e., the gradual elimination of subsidies and increase of wages, requires a clear policy declared to the people, especially since the rate of wage increase is much lower than the rate of price increase.

Seventh, popular participation in increasing production and services cannot be achieved by the desired degree unless the citizen feels that the state of emergency that has existed for years is lifted and that all the special laws are abolished. Such steps are the cornerstone for the citizen's psychological reassurance and for motivating the citizen to participate effectively in local development.

Eighth, all of Egypt's political parties seek the country's interest, even though the programs may differ. The political parties' engagement in constant dialogue with the ruling party on the masses' issues and amendment of the election laws will bolster the partisan action and entrench the mainstays of Egypt's democracy. It is in the country's interest for open dialogue to be held between the radical political currents and the parties before the eyes and ears of the masses. Moreover, permitting these currents to form political parties will make them operate in the political theatre openly and before the eyes of the citizens, thus curbing the intensity of their radicalism which finds a rich soil in operating far from the constitutional legitimacy.

These are the Liberal Party's quick observations on President Mubarak's speech to the local government conference. Discussing the president's speech in detail and proposing the solutions that put the good objectives pointed out by the speech to implementation requires broader space on the pages of this paper and in the various news media because the national and Arab principles contained in this comprehensive speech require programs for their implementation and the programs require frank dialogue in order that all opinions may be expressed, that all tendencies may become clear and that the country's democratic procession may be made complete.

8494

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EGYPT

PROMINENT EDITOR DISCUSSES DEMAND FOR APPLICATION OF ISLAMIC LAW

Cairo AL-AHRAM in Arabic 5, 12 Jul 85

[Article by Ibrahim Nafi': "The Personal Theories of a Moslem"]

[5 Jul 85 pp 1, 3]

[Text] Let me excuse myself for interrupting my dialogue with the Arabs I have been conversing with, for a short time, so that I can express my view on the subject of a serious issue which President Husni Mubarak launched a few days ago without equivocation, on which he sounded the alarm of danger, and of whose evil and calamitousness for Egypt and its people, if it is not resolved, he warned in a manner which does not need much explanation or justification.

First of all, in talking about the issue of the application of Islamic law or religious extremism, I am not claiming a knowledge of jurisprudence regarding the fundamentals of religion. However, I do claim that I can engage in personal theorizing, "the personal theories of a Moslem," on their subject, and seek the assistance, regarding the issues I will address myself to, of the theories and views which our lofty religious scholars have concluded with.

I am not claiming, either, that the danger of religious extremism, as far as Egypt is concerned, or the danger of the spread of fear and terror among citizens, is a secret to anyone. However, I am claiming that silence about that is precisely where the danger lies. Silence does not mean approval of this matter. A negative attitude in regard to it means, unequivocally, a willingness to observe the danger when it reaches every home and every pursuit on the territory of this peaceful country.

However, before saying anything about the application of Islamic law, I must clearly emphasize a number of major facts:

The first is that the application of Islamic law in Egypt is a matter on which the nation's will has arrived at a consensus, so that any casting of doubt or auctioneering over it is a form of negligence or desire to stir up strife -- "and strife slumbers, and God curses whoever awakens it," "strife is more extreme than murder."



The second fact is that the country's constitution, in turn, has taken form in bringing this will into being, since its second article stipulates that the country's religion is Islam and that the principles of Islamic law are the main source of legislation.

The third fact is that Egyptian society has a deep-rooted belief in a single god, and, in the view of the fair-minded, is one of the best of Islamic societies -- we would not say the best of all of them. It is one of those which most sacrifices itself for the progress of Islam and has most preserved Islamic law since the Islamic conquest of Egypt. The noble al-Azhar and its scholars have a well known role, which, by God's grace, is the subject of appreciation of all the people of the Islamic nation in all areas of the world. The character of "devotion to religion" is firmly associated with Egyptians, whether they are Moslem or Christian.

The fourth fact is that an individual or faction may not impose itself as a guardian over the people on the claim of resisting what is repugnant or imposing specific views. Such action is not in my view permissible, from the standpoint of religion or law either, because that would create limitless chaos. Indeed, it constitutes the dissemination of a greater and more broadly repugnant act than that which they seek to resist.

Islam has arranged this matter and has given the ruler the right to render judgment between conflicts and eliminate repugnant things so that life will not become a stage for strife and slaughter as a result of any irresponsible act.

Perhaps the most dangerous aspect of this matter, right here, is that we in our country are suffering from "illiteracy" in reading and writing. What is more dangerous than that, we are suffering more and more from "religious illiteracy"; many people do not know the rulings of religion and are not sufficiently knowledgeable about the teachings of Islamic law.

Perhaps also religious illiteracy, and, alongside that, religious zeal arising from the spirit of religious devotion which dominates young Egyptians who lack sufficient awareness of the provisions of religion and the teachings of the tolerant Islamic law, are the basis of all issues related to religion (of which religion is innocent) that the members of the extremist groups are broaching.

For example, the repudiation of society is not the sole premise common to these groups. The repudiation of the ruler is another one. The ruler, according to their claims, is not governing on the basis of God's revelation and is not applying Islamic law; consequently, the holy verse which states "Those who do not govern on the basis of God's revelation are the infidels" applies to him.

The repudiation of the ruler leads to the repudiation of the governed, because the governed have been content with the rule of the person who has not been applying Islamic law, and they ought to have removed him and stood up to him; if they refrain from doing so, they are infidels.

The extremist groups initiate their thinking and organization on the basis of this harsh generalization. They alone, in their view, are the ones who have discovered the truth. They alone are the believers, in the midst of a realm of war consisting of infidels. Consequently, they must join together and furnish themselves with weapons to confront the pagan society and impose Islamic government. Here is where the formation of the group starts and the notion of command stands out. A person must be put at the head of the group who bears the name of commander and to whom the oath of immediate obedience is sworn; he will be responsible for planning and administering the affairs of the group and realizing its objectives.

Thus the oath of immediate obedience is pledged to the commander, with reliance on the statement of the prophet, on whom be prayers and peace: "Whoever dies without a pledge of loyalty around his neck dies a pagan death."

Once the group is formed, it must isolate itself from the society, in the sense that it is necessary that the group split itself off from the pagan society and flee to the mountains, in the manner of the flight of the prophet, on whom be prayers and peace, from Mecca to Medinah, provided that its flight take place for two purposes:

First, assertion of the devout group's isolation from the pagan society.

Second, founding of the nucleus of the desired Islamic society on territory remote from the infidel society.

In most of these extremist groups, the group is not satisfied that the five pillars of Islam be present in order for a person to be a Moslem; rather, the inevitability of the avoidance of sins is incumbent upon him, lest the person be considered an infidel. They thereby pursue a course which is the opposite of that the public pursues and consider that a person who commits a major sin is not refractory but rather is an infidel.

These groups closely observe secrecy, so that they will be able to perfect their strength and destroy the infidel society. The group must fight against the ruler and the society. The group must warn against working for the government, on grounds that it is an infidel government and its money is illicit because it deals with banks which conduct transactions usuriously.

This has been a quick overview of the most important ideas of the extremist religious groups. A consequence of the isolationist thinking to which the groups adhere is the prohibition against working in any area that has a connection with the government and the prohibition against conscription, on the claim that the army is infidel since it defends the infidel state, does not fight under the banner of Islam and does not fight to realize an Islamic objective.

The mosques which have been built are deleterious because they have not been built on piety and because they are subordinate to the government. Television and radio are two aberrant media and therefore boycotting them is a duty and declaring them illicit is necessary. This rejectionist thinking has produced various forms of tragedies upon its application by some extremist Islamic groups.

We have observed a young man who excelled at the university leaving the university in the final year to work as a peddler of candies. The thinking here was that working as a teacher in the university was illicit because it constituted working in an institution belonging to the infidel state and consequently the best thing was total isolation from this society and work in a trade which was far removed from suspicion.

We have observed a young man refusing to sleep on a bed and preferring to sleep on the ground, because the prophet, on whom be God's prayers and peace, slept on the ground.

We have observed a young person exchanging his clothes for robes, because the prophet, on whom be God's prayers and peace, wore robes.

We have observed young girls leaving the family and society voluntarily and marrying young people in certain groups in the presence of the commander of the group, without the family's knowledge and without the presence of the openness which Islam considers a requisite for society.

We have observed people prohibiting women from going out to work or teach and we have observed people prohibiting the teaching of certain forms of knowledge such as medicine and the law in the universities, because medicine enters into the areas of almighty glorious God's jurisdiction while law is a faculty which teaches secular laws.

We have observed people prohibiting visits to doctors because it is God who cures. We have observed pictures whose presence under the aegis of Islam is hard to imagine. Accompanying this all has been the acquisition of weapons by certain members of extremist groups to prepare to attack and bring down the regime. This thinking raises three questions:

First, regarding the evaluation of the thinking and the extent of its relationship to Islam.

Second, why this thinking has appeared in this form.

Third, what the proper conception of Islam we seek and who the true Moslem we need are.

With respect to the first question, one does not need to take time to determine that this thinking does not arise from Islam, but rather is very close in similarity to the thinking of the Kharijites who violated the consensus of the Moslems in Islam and whose act of violation was one of the causes of the great strife.

Repudiation of the whole society is an unfair general premise and pathological thinking.

Egypt, with all its mosques and scholars, the role al-Azhar plays within it, and these tremendous numbers of people who have gone on the regular and off-season pilgrimage each year, negates the charge of confronting society and makes it a matter to which one must not pay attention.

Apostasy in Islam of necessity consists of a well known repudiation of religion, for instance the repudiation of prayer or the tithe; the commission of sins does not remove one from the shelter of faith or stamp him with apostasy. The existence of corruption in the society does not mean that the society is infidel. These are all obvious points which are to be taken for granted among Moslem jurists and the scholarly public.

In order to answer the second question -- why this thinking has appeared in this form, and what the means for combatting it are -- we say:

The reasons for the appearance of fanatical thinking are many.

A very large part of this thinking is not the fruit of a natural growth in Egypt but is basically a plant that has been imported. There are many parties and many interests encouraging its infiltration into Egypt.

Once we accept this, fairness requires that we also point out that there are internal causes which have led to the spread of this thinking among groups of young people.

For example, had it not been for a relative vacuum in scholars and proselytizers, this thinking would not have found territory over which to roam at will.

For example, some people have tried to inflate the magnitude of existing forms of corruption in order to conclude by stating that the corruption which has become widespread can be solved only by violence.

For example, some economic circumstances have been a cause of isolation among young people and the infiltration of despair into their spirits, which has thrown them into the embrace of extremism and the desire for violence. Therefore, these religious groups have snatched them up.

Here we must distinguish between abstract thinking and thinking backed by arms.

There are stringent laws which prosecute people who bear arms without obtaining permits.

The process of abstract thinking must be corrected by proper thinking.

Therefore, the decisive step in remedying this religious upsurge and extremism assumed form in the stage of discourse held with young people in the extremist religious groups.

The dialogue between scholars of religion and intellectuals and these young people revealed many errors in the thoughts of the young people who belonged to these religious groups.

Many young people whose innocence had been exploited retracted their ideas and admitted that they had been wrong in embracing them.



Indeed, among these young people were persons who emerged from these meetings to write books in which they talked about their experience and showed how they had descended to the depths they had reached.

The most recent book to have been issued in this regard bears the title "The Repudiation and Atonement [Society] Face to Face." Its author is Rajab Madkur, a young person who belonged to this society. He states, in the introduction to his book, "How many legitimate rights have been lost, how many people's honor has been victimized, how much inviolable blood has been shed, how many sins have been committed, how many relationships have been severed, how many husbands have lost their wives and had their children go homeless, how many fathers and mothers have gone about vagrantly in the country in search of their children and failed to find them, how many devoted Moslems have had the charges of apostasy unfairly and inimically applied to them! Yes, God has made it my destiny to review this thinking in the light of the Koran and the sayings and doings of the prophet, and here I am, considering the vastness of the distance between the position the prophet of God, on whom be God's prayers and peace, held and the true nature of this group" (he means the Repudiation and Atonement Society).

The dialogue with the members of these religious groups had a strong effect in moving many of them away from their principles. Had it not been for this dialogue, no one would have been able to predict what might have happened.

A dialogue between intellects is a thousand times more fruitful than police procedures.

A dialogue of the mind is a radical solution, not a temporary one, and as long as we are talking about abstract thought, persuasion through cogent argument is the effective form of cure. This in no way applies to some of these groups' gravitation toward violence or the acquisition of weapons.

Society, with all its agencies which are capable of deterrence, will meet these movements with greater violence.

This is totally normal; every society, with all the agencies of protection it possesses, has the right to face up to attempts at sabotage or violence.

In spite of that, the issue continues to be one of dialogue in the first place, the role of the scholars and proselytizers continues to be a desirable one and the role of the society also continues to be desirable, in order that these young people can find a role in life to which they can wholly devote their powers.

Let us ask ourselves and the societies that exist around us in the area and let us compare the regime under whose aegis we are living with many regimes under whose aegis other people are living.

Islamic law is the main source of legislation in Egypt; any law which clashes with Islamic law is amended so that it will conform to the spirit and provisions of that law.



We are living in a democratic atmosphere for which many of the countries of the third world envy us.

In the context of the regime which we are living under, the court in the case of the al-Jihad [Organization] gave verdicts of not guilty in the case of many defendants because their confessions were made under psychological and physical duress; the court ruled these out and issued the verdict as a model of the integrity of the Egyptian judiciary and the integrity of the governing authorities.

In the context of the regime which we are living under, the personal status law was abrogated because it was not constitutional and was submitted to the People's Assembly, where a new law, in keeping with the principles of Islamic law, over which the majority and the opposition reached agreement after thorough discussion of all its articles, was issued. The greatest collection of Islamic banks exists in Egypt, and Egypt's laws give these banks an opportunity to engage in their new experiment, in which Egypt is considered a pioneering country.

After this, one cannot state that Egyptian society, with all its religious and civilian institutions, is not a Moslem society.

No fair person will find it hard to realize the right answer.

We come to the third question:

What proper conception of Islam do we seek? Who is the true Moslem we need now? What is the sound position regarding the application of Islamic law? Who applies and carries out the prevailing laws which govern the society?

The answer to this and other questions will be the subject of a coming discussion, God willing.

[12 Jul 85 pp 1, 3]

[Text] Last week we paused to consider a question fraught with much importance regarding the proper conception we seek for Islam, the true Moslem we need now, the sound position regarding the application of Islamic law, and who applies and carries out the prevailing laws which govern the society.

Continuing with the personal thinking of a Moslem, we can immediately answer the first of the questions that have been raised:

What is the proper conception we seek for Islam?

Islam consists of belief, devotion, morality and conduct. Belief is the basic approach to faith. Devotion is the individual's declaration of his subjection to the creator. Morality is the reflection of both on the daily conduct of the believer vis-a-vis himself or others.

Almighty glorious God describes believers as:

"People who believe in what is absent, perform the prayer and dispense what we have provided them as sustenance." Our scholars observe that the holy verse combined belief in what is absent, which is purely a matter of the heart, the performance of prayer, which is purely a matter of devotion, and spending, which is an obvious economic matter. Islam, since our forefathers, has been conceived of as a complete unit in which the faith of the heart is not separate from devotion and economics.

This conception of the unity of Islam and its reflection on the Moslem's everyday activity is responsible for the change, progress and sovereignty the first generations of Moslems attained.

Many historians have spoken about the spread of Islam through the sword; they have been biased against it and unfair to it. The fact is that Islam spread because it brought a life better than that which had existed on the earth at that time, and brought values, principles and justice which were much preferable to those which existed on the stage at that time.

Had it not been for the mercy and justice of Islam, had it not been for the noble lofty examples the first Moslems embodied, had it not been for both, Islam would not have spread at the speed with which it did spread, because the struggle of life always produces the survival of the fittest, and it was a saying of almighty glorious God when he said:

"The froth goes away, dried out, but what benefits people remains on earth."

The first Moslems realized why God had created man, what his task on earth was, what his role in life was, and what his rights and duties were. They realized all this with ease, played their role in life as thoroughly as possible in the context of this conception and offered human history an image of society dominated by justice, mercy and tolerance.

The Moslem knows that God created him as his successor on earth, that God ordered him to worship him and that devotion is not restricted to the performance of religious obligations but extends to every moment of human life, and that this, as our exalted scholars say, means that the Moslem's work is devotion, that his provision of food for his family is devotion and that his effort to solve people's problems and meet their interests is devotion -- indeed that the goal of Islamic law is to achieve people's interests and ward away acts of corruption.

Through this precise conception, the Moslems who were our forefathers succeeded in their role, and it now is left to us to understand our role.

Perhaps the most serious success the first Moslems realized was their profound understanding of time and the importance of the historic moment, the Moslem's relationship to time and the Moslem's awareness of the importance of causes and the need for knowledge.

People who imagine that the Moslems' victory in their battles against the Persians or the Byzantines arose from the force of faith alone, without the exertion of effort and the making of preparations, are wrong. This

conception constitutes an erroneous understanding of the Moslems' movement and a negation of the effort they exerted. Khalid Ibn Walid, for example, in his battles used an extremely complex technique which was more advanced than that of his enemies, whom he would take by surprise where they did not expect him. He would set the time and place of the battle himself and exploit all his military genius in surprising the enemy, confusing him and smashing his strength and weapons. He did all that in an instant, not leaving the enemy a chance to organize himself or set his ranks in order.

Military science therefore existed among the Moslems, advanced administration existed, morale was at its peak of perfection and a commander and genius was present who directed his force toward its objective by means of the shortest route.

This was Islam as we understand it.

Islam ushered in a proper faith which stood apart in the midst of the corrupt beliefs of idolworship, ushered in just government in the midst of tyrannical government, ushered in a system of judiciary arbitration in which the prince was not distinguished from the pauper, ushered in a system for the family fit for raising future generations, ushered in a position regarding the intellect, ordered the intellect to think, investigate and set out toward the horizons of existence, and told the Moslems that conclusions have causes and that without causes one cannot reach conclusions. Islam encouraged learning, made it mandatory and made it an aspect of devotion, provided that people's intentions regarding it were proper and the purpose behind it was directed toward God.

How can we destroy all this today and imagine that Islam means isolating oneself in a corner, hiding in mountain caves, fleeing from society or relinquishing life?

Islam is innocent of all this.

The most dangerous disease we are suffering from today, perhaps more dangerous than these wrongful notions, is our failure to realize the element of time and our failure to realize the nature of time and the elements of strength in it.

Almighty glorious God says, "Prepare for them whatever strength and caravanserais you can by which you may strike terror in the enemy of God and yourselves." Have we ourselves prepared the strength?

What is the notion of strength in our modern world today?

Primitive strength went into the museum when the machine was invented, and, with the modern development in our era, strength has become knowledge.

Where Do We Stand Regarding Science?

Will Islamic society derive benefit from a student in the final year of medicine or engineering who leaves his studies in order to flee to the

mountains, or will it derive greater benefit if this student continues with his studies and graduates as a merciful Moslem doctor spreading Islam through his mercy in treating man? What benefit does society derive from a discoverer, inventor, scientist or genius who sits in his cell and withdraws from the world, waiting for the gracious society to come?

People do not fashion the gracious society by sitting waiting for it, but rather by acting, exerting effort and embracing the realities of the age and the causes of knowledge.

This is what our predecessors who came before us understood, and what the children who came later have not understood.

The map of the Islamic world tells us of many sad facts.

The Islamic world does not produce the food it eats, does not manufacture the clothes it wears and does not manufacture the weapons it fights with. This means that one way or another this society is subject to forms of pressure which threaten it with respect to its life or its security.

Will a society such as this benefit from human strength which withdraws from life or will it benefit if this strength puts itself at the service of Islam with the goal of developing the society?

Religion's need for the world so that it may settle down and spread is like the spirit's need for a strong body so that it can hear, observe and walk.

This is Shaykh Muhammad al-Ghazali's expression in his book "How We Conceive of Islam." Our eminent scholars understood the true nature of the relationship between religion and the world. Shaykh Muhammad al-Ghazali said:

"Life is an opportunity which must be seized. Man can be making something every moment he spends in this world. It is not permissible to view the world malevolently, renounce it, be at a loss with regard to its causes or turn away from its gates. Pretending to die before dying is an evasion of man's function in existence, abstinence from bearing the burdens of life and ignorance of the secrets of higher wisdom. This pretending to die cannot be religion.

"Religion is a process of reform of life, if it has gone astray, and a guidance of its perseverant forces so that it can know and be devoted to its lord.

"The germs of this pretending to die have infiltrated into us with some regressive philosophies which have been engendered by the ideas of pessimists and defeatist emotions. This plague then became widespread with the spread of specific kinds of conduct in the Islamic nation and with the corruption of the bases of government and the curricula of education in recent centuries.

"The consequence of this was that the Moslem public lived on earth without feeling its exploitation under the heavens or taking note of its horizons,



and existed without being concerned with earth's secrets or being dazzled by its light.

"If they seek God's countenance, the Moslems must correct their own position and rectify their vision of the world. They must not clothe truth in falsehood and they must conceive that acquiring power on earth and seizing the reins of the earth is a certain form of forbidden self-satisfaction or a certain violation of the laws of faith."

Almighty God talks to the Moslems in his book about the sea he has prepared for them so that the universe may run within it by his orders; in the midst of thousands of vessels which are moving in the midst of the seas, only one vessel out of every thousand belongs to the Moslems.

Almighty God speaks to us and says "We have provided iron, which entails great welfare and benefits for people." Shaykh al-Ghazali asks how many iron machines we have made. It is the same ludicrous proportion, the proportion of one in a thousand.

Look at agriculture, which is the occupation of backward peoples. There are tremendous areas in the countries of Islam which are still neglected and virgin. They have not been lacking in God's blessings, but they lack the manpower with which to become bountiful with good things. Where is the manpower among peoples who have transformed their religion so that they may live slothfully and inadequately within its shadow?

These cries which our virtuous scholars are uttering must draw our attention to our shortsighted attitude toward religion and the world. We today are in need of strong Moslems. We are in need of Moslems who know how to live in the last remaining quarter of the 20th century and know how to face the 21st century -- Moslems who are not living in dependence on the West, its clothing, food and weapons, and its sciences, literature and arts.

Islam is a comprehensive platform of life.

It is a platform which is in keeping with every age, as the scholars say. It is a platform which rejects subordination and backwardness, and consequently is a platform which seeks strength in everything.

The strength of knowledge, the strength of justice, the strength of the economy, the strength of well being and all forms of strength on earth. Islam ties this all to the day of judgment, the resurgence, the final questioning and accountability. That is, man, in the platform of Islam, is responsible before God for his enhancement of the world and his performance of the order of the succession on it. This is a general issue; in addition he is responsible for his faith and performance of his religious duties, which is a special issue.

That is, the special and the general must be the object of the Moslem's attention. That is the conception of Islam which we seek. That is the Moslem which life today needs.



The educated, confident, intellectual, liberal, strong aware Moslem is much better than the Moslem who lives on the sidelines of life. The prophet, on whom be God's prayers and peace, spoke about the importance of the element of strength in the life of Islamic communities and said:

"The strong Moslem is better and more loved by God than the weak one."

This is what life today needs.

This is what the Islamic communities in the third world need. We need Moslems who will perform the right of succession on earth. This is a right which is performed only through knowledge and learning, overall effort and the efforts of prominent people and geniuses.

Any shortcoming with respect to the succession on earth will affect the general situation of the Moslems and will lead to their subordination and dependence on others. This is something which will affect the independence of the Moslems and dissipate their will.

Once we reach agreement that strength is requisite in our age, our agreement to the application of Islamic law will become part of the general strategy of the Islamic communities.

In my previous article, I stated that the application of Islamic law in Egypt is a matter on which the nation's will has arrived at a consensus, so that any casting of doubt or auctioneering over it is a form of negligence or desire to stir up strife.

This point is suitable as a basis for a point of departure so that we can ask, how will Islamic law be applied?

Before I engage in personal theorizing and give my own opinion, along with various ones, I will say that there are people who imagine that applying Islamic law is like taking a magic pill for an ailment which will rid society of all its ills.

This conception constitutes a self-inundation in fantasy.

The application of Islamic law requires effort and work; it requires Moslems who will apply this Islamic law in a manner which will lead society to advance and people to rally around it.

That is, the method of application here is of the utmost importance. We have witnessed -- and the difference is with the distinction -- an application of socialism in Egypt the result of which was that people turned away from socialism. We have also witnessed an application of capitalism and liberalism, and the result was the failure to understand the two notions. We have witnessed in the Arab and Persian communities around ourselves various applications of Islamic law where sometimes a ruler would apply Islamic law as part of a tactical plan to divert the masses from their problems by a striking new issue.

Therefore the importance of the model Egypt offers regarding the application of Islamic law is apparent. Any time we spend thinking about this model is time which will guarantee that this model will continue to endure and yield its fruit.

We in Egypt, by my knowledge, are applying Islamic law to the degree of 90 percent. There is only one article in the entire civil law outside Islamic law, and that is the one related to interest in banks. The same is true with criminal law. The law on the family is derived in its entirety from Islamic law.

According to my personal thinking, the application of Islamic law is something which requires that efforts be exerted in more than one area and more than one period.

Islamic law was fashioned for Islamic society. Thus the application of Islamic law must proceed in conjunction with the education of Moslems. This leads to the conclusion that what is required is a stand regarding education and a more than intelligent stand regarding morality, a revolution in management and deeply considered thinking about economics in the light of our domestic circumstances, the countries surrounding us and the world economic system, by which we are intensely affected.

This is because Islamic law means progress in respect to all this.

In Islamic law it is permitted to order that the hand of a thief be cut off only if there are no people in the society who cannot find their daily sustenance or sustenance for their family, and only if the society reaches the point where it can provide work for all the people in it and a Moslem society has been established in which rich people cannot find money to spend on the tithe, because of the abundance of general welfare. If all this is completely met, the Islamic penalty of cutting off the hand of the thief may be applied to a person who steals.

Devoting attention to the guidance of man and purifying the laws of things that violate Islamic law are two matters which face public action and mobilize sincere effort.

The education of man cannot take place overnight, and the purification of the laws requires time. Haste in all this will serve only the enemies of Islamic law.

The gradual approach in legislation is one of the goals of legislators, as the scholars of principles say.

The important thing is that people's intentions be true, that people's will be focused and that real work toward this end be started.

The matter is not easy but it requires care. Here we might observe that such effort will require individual thought and dialogue so that the best views of scholars may be selected. That is the sole guarantor of success and continued application.

### A Final Question Remains

Who will apply and carry out the laws which govern society? It is the legislative power which does that. This power in Egypt has sided with the application of Islamic law, and has not opposed it.

The Egyptian constitution contains an article which says "Islamic law is the main source of legislation."

This is a stipulation to which the government is committed, just as the society is committed to it.

If someone comes and says, "Indeed, we should apply Islamic law tomorrow, apply the Islamic penalties tomorrow and circumvent the government by armed force and revolution" --

If all this happens, the society will have the right to stand up to him and the regime will have the right to stand up to him.

We hope that the process of purifying the laws will be carried out through the constitutional, legal channels the society has established and that that will be done awarely and wisely, in the context of stability which will enable the society to progress and make it possible for its thinkers and scholars to set out the best values for a better life for the society.

That is the natural road. The road of tyranny and conspiracies is a dead end.

It will lead to nothing except the loss of the blood of innocent enthusiastic young people and the obstruction of the people's progression toward the application of Islamic law and life in the framework of a life of dignity.

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EGYPT

# OPPOSITION BOYCOTT IN PEOPLE'S ASSEMBLY THREATENED

London AL-TADAMUN in Arabic 20-26 Jul 85 p 23

[Article by 'Abd-al-Qadir Shahib: "People's Assembly Began the Summer Recess with a Crisis"]

[Text] In the last sessions of the Egyptian People's Assembly, a new and sharp crisis erupted that could last until the new session begins, if the opposition deputies carry out their threats to boycott People's Assembly sessions as long as Dr Rif'at al-Mahjub remains president of the assembly.

This crisis erupted during a debate over the report prepared by a special parliamentary committee concerning some violations that had been committed by the governor of the city of Alexandria, when a deputy of the ruling National Democratic Party asked that the question of lifting immunity from a deputy of the opposition Wafd party, Mustafa Shardi, who holds the post of editor-in-chief of the AL-WAFD newspaper, be settled before debating the parliamentary report.

It might have been possible to avert this crisis if Dr Rif'at al-Mahjub had not expressed an opinion on this matter, or if he had not declared his intentions in the matter of lifting immunity from the editor-in-chief of AL-WAFD, and had ignored the request by the National Party deputy, especially since he spoke without asking for permission from the podium. But Dr Rif'at al-Mahjub opened the door to this parliamentary crisis, for he said that the subject of lifting immunity from Mustafa Shardi would not be brought up in the session because time was short, but that he would use his rights as president of the Assembly to lift parliamentary immunity from the Wafd deputy and others during the parliamentary recess.

Of course these words inflamed opposition deputies, in particular deputies of the Wafd party, and they protested against Dr Rif'at al-Mahjub.

Things were ripe for a sharp protest by opposition deputies, because a few days before the final meeting of the parliamentary session, a news leak had indicated that the Assembly president intended to remove immunity from Deputy Mustafa Shardi during the summer recess, after deputies of the ruling party had previously refused to respond to this request in the Assembly.

Then things developed quickly, and Dr Rif'at al-Mahjub changed his mind about postponing presenting the subject of lifting immunity to the session, and he decided to present the subject immediately before Assembly members, even though the Assembly had previously refused to agree to that. However, this time deputies of the ruling National party agreed to remove their colleague's immunity to make it easier for the prosecutor's office to interrogate him about reports from the governor of Alexandria against him. This agreement came after these deputies had been rebuked by party leaders and journalists for their failure to adhere to the party line on such issues!

Because of this agreement to lift immunity from Mustafa Shardi, and the failure of the Assembly president to respond to the opposition's demand that debate on the subject be resumed, and that the editor-in-chief of AL-WAFD at least be given the opportunity to speak, opposition deputies walked out of the meeting. The walkout included deputies of the Wafd party, and the Labor party, and Dr Milad Hanna, an independent Assembly deputy and a member of the Grouping party whose membership had been frozen.

Opposition members held a meeting to study the situation and to formulate a position. They eventually agreed that it would be necessary to boycott the tea party held by President Muhammad Husni Mubarak for members of the People's Assembly and the Council on the occasion of the end of the parliamentary sessions of the two assemblies. That would be done "to protest the unconstitutional and illegal acts by the president of the People's Assembly."

Attempts made by Counselor Ahmad Musa, Mahmud Dabbur, vice-president of the Assembly, and Maj Gen Ahmad Rushdi, minister of the interior, to persuade the opposition deputies to attend the tea party met with failure.

Attempts by Fu'ad Siraj-al-Din, the head of the Wafd party himself, to persuade the deputies of his party to attend the tea party also failed, because Ibrahim Shukri, head of the Labor party, and Dr Milad Hanna refused to attend the reception, which of course made things difficult for Counselor Mumtaz Nassar and ended his vacillation in favour of not attending.

Fu'ad Siraj-al-Din's attempts to persuade deputies of his party to attend the reception given by the president of the republic failed, even though he threatened to resign his position as head of the party if they did not change their minds about boycotting the reception. He conveyed his threats to them from the presidential palace, where he was in fact attending the tea party.

Because of this position, the president of the republic honored him in the protocol by having him stand beside him before Kamal Hasan 'Ali, the head of government, and by Rif'at al-Mahjub, president of the People's Assembly, as he received Assembly deputies and members of the Council one by one. That drew much attention from citizens who saw some of the events of the reception on television.

Thus the parliamentary crisis that erupted between the opposition and the president of the Assembly caused another crisis within the Wafd party between its head and his party deputies. However, it was resolved, and Fu'ad Siraj-al-Din withdrew his threat to resign.



But following a meeting that lasted about 2 hours, opposition deputies held a news conference in which Counselor Mumtaz Nassar, head of the Wafd parliamentary body, announced that it had now become difficult to cooperate with Dr Rif'at al-Mahjub, president of the Assembly, and that Wafd deputies would not participate in the workings of the upcoming parliamentary session as long as Dr Rif'at remained president of the Assembly.

Then the newspaper AL-WAFD came out to launch a devastating attack against Dr Rif'at al-Mahjub. It interpreted his haste in removing immunity from the Wafd deputy as an attempt to settle his personal differences and accounts with AL-WAFD newspaper, which had uncovered his brother's involvement in deals to return money of foreign origin to the currency dealers, deals which took place during the time of the former economics minister, Dr Mustafa al-Sa'id. It also had uncovered involvement by the president of the Assembly himself in a deal to rebuild the 'Aini palace, a deal which had been tainted by many financial violations.

As for the Labor party's newspaper, it concentrated in its attack on the president of the People's Assembly on events that were in violation of the constitution, the law, and of Assembly rules themselves. It concentrated on his exploiting his position as president of the Assembly to take away the opposition's right to express its views, to direct debates towards what is in line with the government's interests, and to make a habit of expressing his views from the podium, which is prohibited by the rules. The parliamentary crisis still exists, so far, but leaders of the Wafd party were able to contain the crisis that it had created within their party, after Wafd deputies apologized for their failure to respond to the request by their party's head to participate in the tea party to which the president of the republic had invited them.

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EGYPT

## CONFERENCE DISCUSSES DEVELOPMENT OF LOCAL GOVERNMENT

Cairo AL-AHRAM in Arabic 27 Jun 85 p 6

[Article by Muhammad Basha, 'Adil al-Dib, 'Abd-al-Majid al-Shawadifi, 'Abd-al-Fattah Ibrahim and 'Abd-al-Hadi Tammam: "What Took Place in Committees of Second National Conference on Local Government; Members Demand That Local Governments Be Empowered To Levy Fees"]

[Text] Hasan Abu Basha, the minister of local government, has stated that the local governments have a creative role in igniting the spirit of development in the local communities and that the state plan focuses on the development process and on meeting the citizens' needs within the framework of a general plan.

The minister of local government asserted to one of the committees of the second national conference on local government that the local governments have a bigger role in participating with intrinsic efforts to secure services for citizens. He said that we have pioneer models in villages and cities in all the governorates which demonstrate the extent of popular participation in food security projects and in production projects.

The conference's 13 committees continued their sessions yesterday at the premises of the Cairo University School of Arts where discussions took place in a democratic climate. Hasan Abu Basha, Dr 'Abd-al-Hamid Hasan, the governor of al-Jizah and the preparatory committee chairman; 'Izzat Muhammad 'Ali, the general secretary of local government and the rapporteur of the conference's higher committee; and Counselor 'Abdil Basyuni, the adviser to the minister of local government, attended some committee discussions.

The members of the organization and communications committee, headed by 'Ali Ibrahim, the governor of Sawhaj, demanded implementation of the local government law in connection with the appointment of deputy and assistant governors and heads of local units and also demanded that these officials be given specific duties and powers to exercise in all the governorates, that a cadre be drawn up for the heads of local units, beginning with the village level and ending with the governorate level, that appointment to leadership positions in local government agencies be confined to workers in the local government units and that no transfers be made to these positions from other authorities or agencies.

## Manpower Committee

The members of the manpower development committee, headed by 'Abd-al-Halim al-Sa'idi, the governor of Qina, urged the need to amend the local government law so as to permit the local agencies to levy fees for use of the existing services, provided that the fees be utilized in the interest of development projects and that it be enough for the governorates' local agencies to approve any amendment or any addition to the instrumentalities and categories from which fees are to be collected. The members also urged the need to draw up model financial bylaws for worker incentives in the local development agencies and to have local village units of the Local Development Fund advance personal loans for the purpose of setting up private projects.

## Budget and Resources Committee

In the budget and resources development committee, headed by 'Abd-al-Rahman al-Farmawi, the governor of Port Said, the members urged the need to reexamine all of the state's financial resources and to determine whatever is of local nature in order to transfer it to the local units. They also urged the need to reexamine the local fee categories in order to make them compatible with the current price level of the various commodities and to amend the set rates for the distribution of the joint revenues among the governorates and the need to reexamine a number of services that had been under the control of the local government agencies and that were then restored to the central government in Cairo, such as the electricity service.

## Unit Management Committee

In the local units management committee, headed by Sayfallah al-Sharbini, the chairman of the Craftsmen Agency, the members demanded that controls be established to curtail (private) visits to the workers during the official working hours, to curb the departure of workers during these hours to perform the duty of conveying condolences and to set the times for such activities after working hours. The members also demanded that the contradictions in the laws be eliminated, that service equipment be made available close to working units for them to be able to perform the service with the desired speed and that the laws and administrative regulations and bylaws hampering work activity in units and affecting the performance of service rendered to citizens be eliminated.

The committee members also demanded that the members of the local people's councils be given the opportunity to follow up on the implementation of the resolutions and recommendations made by the councils and that the help of administrative and technical experts from the executive agencies be enlisted to insure the efficiency of supervision and control. The committee members also recommended the need to open the channels of communication between the popular agencies and the executive agencies.

## Environmental Protection Committee

In the environment protection committee, headed by Dr Hamdi al-Hakim, the governor of al-Minufiyah, discussion centered on the creation of environmental affairs bureaus in the governorates, with these bureaus, formed as independent administrative units controlled directly by the governors, to take charge of observing implementation of the laws aimed at safeguarding the environment, to make proposals for the amendment of these laws, to stop the dumping of sewage and industrial waste in the water canals, to stop the use of snail pesticides in these canals because of their effect on fish resources and for fear of their poisonous effects on the citizens and the environment, to enhance and develop the level of river transport and to require vessels to install units for the internal decomposition of wastes, to ban the dumping of petroleum and oil wastes in the canals, to require the citizens to sterilize the water tanks in their homes and to encourage afforestation and the creation of a green belt around every population center.

## Youth and Development Committee

In the youth and development committee, headed by 'Abd-al-Mun'im 'Imarah, the governor of Ismailia, discussion tended to demand the establishment of private funds to finance youth activity development projects. The discussions also demanded that the youth public service law be reexamined, that the idle capabilities of youths be channeled toward investment projects, that the information media urge and encourage youths to participate in development projects by highlighting the experiences of youths and projecting their problems and the obstacles that impede their performance of the desired role.

## Major Cities Committee

In the committee for preparation of the major cities, headed by Yusuf Sabri Abu Talib, the governor of Cairo, the members urged the need to move the wholesale markets out of Cairo in order that they may attract unskilled labor there, the need not to expand the issuance of licenses to vendors and booths and to confine water, electricity and telephone subscriptions to the city's residents, the need to speed construction of the beltway around Greater Cairo, the need to ban slow traffic and animal traffic in Cairo's streets, the need to move the ministries, authorities and agencies to the new areas after they are equipped with housing and utilities and the need to redistribute the activities and to move the production, craft and service workshops beyond the populated area. The committee members also urged the need to build a new capital far from Cairo to include the government agencies, organizations and authorities concerned with mass services so that this capital may become a new population-attraction area.

The governor urged the need to devote attention to the problems of the capital, which is now the second biggest city in the world, noting that Cairo's population density is more than eightfold the population density of any city in the world and that Cairo's population grew from 693,000 people in 1907 to 11 million people in 1984 (Greater Cairo).

Regarding the sanitation problem, the governor of Cairo said that the city's sanitation budget does not exceed 40 million pounds annually whereas the city needs no less than 480 million pounds. This is why we demand increasing the appropriations allocated for this purpose.

#### Service Planning Committee

The discussions of the service planning committee, headed by 'Umar 'Abd-al-Akhir, the governor of al-Qalyubiyah, centered on the issue of comprehensive national planning, especially planning concerning the ideal utilization of limited resources. The members demanded that periodic inspections be made in the governorates' various agencies that render services to the citizens. Discussions also took place on the current housing problem and dealt with assessing rents and the increase in the prices of construction materials. The members stressed that the unchanging rent rates for old buildings are creating this problem. The members also brought up the issue of the training of state employees and demanded that training be provided to produce good teachers, that the standard of education be raised and that the government agencies provide accurate data in order that it may be at the disposal of the decisionmakers.

#### Women's Committee

The members of the women's committee, headed by Engineer Nabil Halawah, the governor of Kafr al-Shaykh, urged the need for the promulgation of a personal status law compatible with the Islamic Shari'a, the need to train women in the necessary manner in order that they may be able to curtail the population explosion, the need to expand the project for preparing readymade meals in order to help working women cope with family responsibilities, the need to spread the system for aiding housewives and the need to make it easier for women to acquire manufactured home appliances.

#### Participation in Development

In the committee for participation in local development, headed by Maj Gen Muhammad Qadri 'Uthman, the governor of Aswan, the members of Asyut Local Council brought up the issue of care for local employees, including health and social insurance, training and job promotion for local government employees. They also raised the issue of the need to devote attention to training the members of the local councils and to educate them as to their executive and actual role in the development plan phase.

General Qadri 'Uthman cited as an example the attention devoted by the armed forces to their personnel's health and social insurance. Tahir Muhammed Ahmad, the chairman of a village council in al-Buhayrah Governorate, brought up the issue of creating and bolstering financing resources, saying that a village population, both residents and those living outside the village, must hold annual meetings to acquire material, technical, technological, intellectual and human aid and that training centers supplied with technical experts must be established to enhance local development activity. Tahir Ahmad also demanded that field visits be made to the projects and that the assistance of friendly countries be enlisted in this field.



The committee also focused its attention on changing the production structure in both crops and livestock, on expanding agricultural mechanization, on enhancing crop concentration as much as possible, on using quick-yield and high-production strains, on raising the food productivity of grains, vegetables, fruits and sugarcane, on solving the fodder problems and on raising the productivity of cattle and sheep herds.

#### Regional Planning Committee

In the development plan and local regional planning committee, headed by Faruq al-Tallawi, the New Valley governor, and Dr Ahmad al-Juwayli, the governor of Damietta, Dr Sayyid al-Kilani from the National Planning Institute said that the development plan requires examination of all the available possibilities to select the best kinds of desired crops, of industry and of commerce within the limits of the available resources in order to enhance development. As for water, electricity and utility consumption, the state must take part in setting up the infrastructure projects in order that it may help regional investment, development and planning activity.

The committee members also demanded that a clear strategy be established for comprehensive national planning, and especially for regional planning, to achieve society's objectives over a long period of time and (within the framework of medium-range plans). The members also urged the need to provide the resources necessary to bolster local development, to establish regional universities, scientific institutions and specialized research institutes and, to graduate trained cadres with capability in the fields of social, economic and political planning and development. The committee also recommended reconsidering the issue of dividing the republic into planning regions that take into consideration all the activities within the governorate, development of local government at all levels and the transformation of local administration into local government.

#### Village Building and Development

The members of the village building and development committee, headed by Dr Ahmad Rashid, demanded the establishment of small service and consumer projects and the encouragement of individuals to embark on construction activities. The committee also demanded creating economic prosperity by implementing road projects, encouraging local agencies, bolstering decentralization, devoting attention to setting up and bolstering maintenance workshops and to insuring the continued availability of technical and administrative capabilities in the basic services field at the village level through various training programs. They also demanded linking regional plans with state plans, governorate plans and the plans of the central and regional scientific research agencies.

#### Local Development Committee

In the local development committee, headed by Ahmad Mitkis, the governor of al-Sharqiyah, the members brought up the need to devote attention

to cooperation in all fields of production, agriculture, crafts, population and consumer cooperatives, considering that cooperation is one of the mainstays of local development. The members also stressed the need to develop the home and group consumer cooperatives in their capacity as one of the main channels for the distribution of the various goods produced by the development projects. Muhammad Badran, a local council member, urged that efforts be exerted to reduce the costs of agricultural production through expanded agricultural mechanization and through providing small machinery for the use of the small farmer, thus reducing the loss in agricultural production and increasing the revenues from this production.

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EGYPT

# NOVELIST NAJIB MAHFUZ DEFENDS VIEWS ON ARAB-ISRAELI CONFLICT

Cairo AL-AHRAR in Arabic 1 Jul 85 p 4

[Interview with Novelist Najib Mahfuz by 'Isam al-Ghazi: "Very Heated Dialogue With Najib Mahfuz; After Peace Treaty, Presidency Embroiled Me in Relations With Israeli; as Long as We Are Incapable of Solving Palestinian Issue at Present, Let Us Submit to Possible and Turn Our Attention to Civilization; Majority of Arabs Believe in My Opinions"; Time and Place Not Given]

[Text] AL-AHRAR publishes this important press interview given by writer Najib Mahfuz to colleague 'Isam al-Ghazi of Cairo's AL-MAJALLAH magazine. In this interview, Najib Mahfuz reveals stunning secrets, made public for the first time, on his relations with Israel.

The time in 1978.

The telephone rings at the home of writer Najib Mahfuz: This is the president's office. We have an Israeli delegation visiting Cairo and some of its members would like to meet you.

Najib Mahfuz' heart sinks to his feet and words freeze at the tip of his tongue. Cairo is living in a state of fever mixed with disbelief while seeing hordes of Israelis filling its streets and markets, the cafes frequented by its intellectuals and its historical sites.

Nobody can foretell what will happen tomorrow and Najib Mahfuz is a dear part of the fabric of our national conscience--a targeted part on whom their eyes are focused because they know what a writer with his weight can do if he says "no."

Najib Mahfuz met with the Israelis and said "yes."

People did not know which Najib Mahfuz said yes: Najib Mahfuz, the man, or Najib Mahfuz, the great novelist who wrote the trilogy, "al-Harafish," "Our Neighborhood's Kids," "Miramar" and "Radubis"?

Was it Najib Mahfuz, the Egyptian who can only obey the pharaoh or Najib Mahfuz, the al-Jabarti of this age, the conscience of his people and the man teaching his people the sublime ideals and injecting into their veins the spirit of resistance, dignity and pride?

I went to Najib Mahfuz, the man, to interview him and he said:

I am a human being and I have never claimed to be infallible. I may have been wrong in my position. But whoever claims that I have been a traitor is mad because I did what I did out of my fear for my country.

He spoke of something called civilization which he wants to safeguard.

I asked him: Does the fighter who lives between a ditch, a trench and a cave and lives hungry, naked and wounded in order to drive the occupier out of his land or die--does such a fighter think of civilization?

Najib Mahfuz is one of the stars of our life, like al-'Aqqad, Sayyid Darwish and Umm Kalthum. Could Umm Kalthum, for example, have shaken the hand of an Israeli after singing the songs "We Will Return With the Force of Arms" and "It Has Been a Long Time, My Weapon"? The issue is up for discussion and a reply and here is the interview:

#### Literary Relationship

[Question] Mr Najib Mahfuz, there is a state of national and pan-Arab anger at you because of what has been said about your dealing with elements belonging to the Zionist enemy. What is the true nature of this relationship, what are its dimensions and what are its causes?

[Answer] The Israelis translated most of my novels during the war and when there was no relationship whatsoever binding us to them. It wasn't only my works but the works of most of the Arab men of letters. What has been translated since the peace treaty cannot be compared in volume with what was translated before it. What I mean is that the Israelis' translation plan started in the 1950's. When peace was established between us and Israel, the translated books were sent to me.

[Question] Have they paid you any money for translating these books?

[Answer] No.

[Question] Should they offer a price, would you accept?

[Answer] They sent me an account and I handed the letter they sent me to the Directorate of Public Security in al-Ahram because any contact with the enemy was forbidden. After the peace treaty, I forgot this issue.

[Question] Are you bound by friendship to the Israeli cultural adviser in Alexandria?

[Answer] When the Israelis came to Egypt and visited the president's office, the office would contact me and tell me: So and so is in Egypt and wishes to visit you.

[Question] Who is so and so?

[Answer] I will tell you about the ones I have come to know. The Israelis I have come to know are people who wrote their doctorate theses on me, namely: Matityahu Peled, who is a friend of Yasir 'Arafat's; Milson, who was governor of the West Bank and who resigned in protest of Israel's liquidationist policy there; and Sasson Somekh who is a professor of Arabic literature at Tel Aviv University. The first and the second are friends of the Arabs and there is a call for their trial in Israel. Both are advocates of peace with the Arabs. As for the third, he specializes in literature.

[Question] What did you talk about?

[Answer] We talked about literature. They also talked to me about peace and their desire for peace. I thought at the time that these were just words of courtesy until their seriousness was proved to me afterward when Milson resigned from his post as governor of the West Bank and when the Israelis demanded that Matityahu Peled be brought to trial because of his relations with the PLO and his frequent meetings with Yasir 'Arafat.

[Question] What about your relationship with the Israeli cultural adviser in Alexandria?

[Answer] There is no friendship. It may so happen, for example, that I would be sitting at Gleem Cafe on the Alexandria Corniche and that somebody may drop in and say I am the Israeli cultural adviser, and may sit down for an hour and then depart. But I do not at all visit any of them.

[Question] Don't you think that these meetings cause you to lose a degree of your popularity, especially since most of your readers are educated youth, a large sector of whom rejects such relations?

[Answer] Dear sir, when I made my opinion known and when I reiterate this opinion now, I believe, and God be my witness, that it is in the interest of the Arabs. If time proves this opinion wrong, and this is likely, then I am a human being who both errs and who hits the target. What I want you to never imagine is that this opinion of mine is in the service of Israel. Whoever imagines such a thing is mad.

#### Wager on Civilization

[Question] The new generations that are in love with your novels have expressed their reservations on your political writings, saying that as a literary figure you are "warmly welcome. As for what you write for the press, it is tantamount to peculiar opinions that belong in the past." What do you say to this?

[Answer] Naturally, the ultimate judgement is up to them. The fact is that I have emerged with some political opinions derived from our bitter modern experience. I can sum up these opinions to you in the following: We, as Arabs, have a cause and an objective. The objective is civilization because we live in backwardness. Colonialism and the policy of the international interests of the major powers saddled us with the cause and the Palestinian tragedy developed.



I have found that the cause has preoccupied us to the degree of almost making us forget the goal. Regardless of how important the cause is, the goal remains number one because it is life. I have said that all our powers and all our monies are being wasted on the cause, exactly like an Upper Egypt family that is blessed by God with land and money to utilize them for life but finds its men falling dead one after the other because of a vendetta, with only the family women surviving and with all this occurring for the sake of the family honor and Upper Egypt's traditions. The land is then left with nobody to cultivate it. I have said that as long as we are unable to settle the cause now, then let us submit to the possible and turn our attention to civilization. Others have claimed that this opinion is tantamount to an aberration. Let the opinion be wrong. Have I claimed that this opinion is inspired from heaven and that all must accept it? I am just a man who has feared for his people being consumed by the cause, with the outcome being neither a victory for the cause nor a gain in civilization.

[Question] Don't you think that when you choose life in this manner then you are choosing a life of humiliation under the canopy of occupation? Moreover, will the forces which imposed the unjust war to exhaust you permit you to achieve civilization? My Mahfuz, he who fights in defense of his honor, his dignity and his land is not at all concerned with civilization. He lives in trenches, hills and caves and on treetops until he purges his land?

[Answer] The majority of the Arabs believe in the opinion I have advocated.

[Question] The Arab peoples or Arab rulers?

[Answer] The Arabs who seek to solve the issue and who hold the responsibility. Can you fight Israel and imperialism together? Is there a war that can go on forever?

#### Lesson From History

[Question] Let us learn a lesson from history. The Hiksos occupied Egypt for 500 years and then the people drove them out. In modern history, France departed from Algeria and the United States was defeated in Vietnam. As long as there is resistance, victory must be achieved. You are different from the ruler. You are the people's conscience. Many rulers are not their people's conscience. This is why you are not expected to say such things.

[Answer] My words are not addressed to the Palestinian people because they are the people with the primary concern with the cause and they are entitled to choose the path that suits them to liberate their land by war or by negotiation.

[Question] Is the opinion you declared in 1974 still valid?

[Answer] It is still valid.

[Question] Despite Israel's occupation of Lebanon and the brutal acts Israel has committed there?

[Answer] These tragedies have changed my opinion regarding Israel's intentions.

[Question] Mr Mahfuz, you led at a time when literature was the leader of the nation's vigilance. To what degree do you hold yourself responsible for the absence of this vigilance?

[Answer] Meaning?

[Question] Meaning that your works have mirrored the past and the present but have not ventured much into the future to perform the role of the herald of the seer.

[Answer] Impossible. When I wrote of the very distant past, namely about the pharaonic popular literature, my eye was on modern Egypt. This is the future (he said with a laugh). This is why you find a novel mirroring the ideal ruler in "The Tampering of the Fates" and another novel mirroring the people's rebellion against a pharaoh and the killing of this pharaoh in "Radubis." "The Struggle of Thebes" mirrors the liberation of Egypt from the Hiksos. All these concepts are for the present and the future, even though they are set in the cast of the past. Moreover, my fear and concern for the future have been fully evident in "A Chat on the Nile" and "Miramar." In one of my latest novels "Ibn Fattumah's Voyage," the protagonist dreams of the future, the very distant future. It is not true, therefore, that I belong to the past. I am a man of the present and of the future.

#### Marquez, I and Current of Conscious

[Question] Colombian Novelist Garcia Marquez has performed masterfully on your very novelistic ground. As soon as his novels were translated into Arabic, he gained a large degree of the admiration of the Arab intellectuals. What are the common bridges between the two of you in light of your experience in "Al-Harafish" and his experience in "The Patriarch's Autumn" in terms of writing technique, of deriving from mythology and of language of expression?

[Answer] I have read "One Hundred Years of Solitude" and one of his novels in which a dictator barbecues his minister of war and serves him as a meal to foreign ambassadors ("The Patriarch's Autumn.") Deriving from mythology is something familiar to poets and men of letters from both the East and the West. There is nothing new in what Marquez has done. As for Marquez' technique, he has been raised in Faulkner's modern school of the stream of consciousness. I have used this technique when needed in a number of novels, such as "The Thief and the Dogs" and other novels.

As for "Al-Harafish," it speaks of a neighborhood in which I have mirrored the entire world whereas he employs in his novel the village of Macondo

to mirror Colombia, not the world. The events of my novel begin with the flood.

As for the technique of each of us, though I have been influenced by some of the European schools by which he has been influenced, I have been influenced by some other forces which he does not know, such as the Koran and the Arab heritage.

[Question] He has read "One Thousand and One Nights" and said that he has been greatly influenced by it.

[Answer] This topic requires study and pondering by me, because off-handedness does not do it credit.

#### Age of International Man

[Question] Do you think that in the age of the coming communications revolution there will be the features of special national literatures or will the coming age be the age of the international man?

[Answer] The sentiments of people everywhere may move closer to each other. As for full unification, it needs time and may never happen because man's bond to his environment is as strong as the influence of international thought. In other words, what mankind agrees on is strong and what it disagrees on is no less strong.

[Question] Isn't this more reason why man should fortify himself with his faithful heritage and culture?

[Answer] This is a duty. But suppose that there is a new man developing throughout the world and that in 200 or 300 years man becomes a different man, with a certain part of his environment ingrained in him but with a bigger part of the world incorporated into his character, what would the objection be? Why the extraordinary desire to preserve the special character? It is not an issue of maintaining a special character but one of being a good man fit for the age. To be so, man must preserve a certain degree of this special character and must understand which part of this special character he can relinquish without being harmed. If one relinquishes a part of this special character, he may gain that which is more beneficial from the world. Relinquishing this special character does not at all mean aimlessness.

The same way clinging to certain genuine values serves your character beneficially, relinquishing other characteristics also serves beneficially in building one's character. Not all that you find in your heritage and environment is good and not all that you gain from the outside world is evil.

EGYPT

## PLANS TO ALLEVIATE HOUSING SHORTAGE DISCUSSED

Cairo AL-AHRAM in Arabic 27 Jun 85 p 3

[Article by Ahmad Hashim and 'Abd-al-Nasir Salamah: "Will New Cities Alleviate Cairo's Concerns; Will 6 October and al-Sadat Cities Constitute Hope for Population Redistribution on Egypt's Map and Will They Alleviate Cairo's Population Density and Attract Labor to Set up Industrial Bastions in Them"]

[Text] The new cities are the new hope for population redistribution on Egypt's map and one of the fundamental solutions for alleviating Cairo's population density.

But life must be created to attract the "inhabitants of the cities strangled by overcrowding" to new areas and a new life.

This is why it has also been necessary to focus the planning on turning the 6 October and al-Sadat cities to two industrial bastions that attract labor to live in them and not to return to Cairo again.

With the start of the countdown for completing the construction of these two cities and for the start of a new life for the Egyptian family, the Investigations Section has been observing "the quality of life" far from the capital's overcrowding.

To start with, how will the features of life in the 6 October city, located on the Cairo highway, be?

How will life proceed in the first complete tourist area in the city, along with the ordinary life of the inhabitants and with the production life in the factories?

Engineer Hasaballah al-Kafrawi, the minister of reconstruction, said that several objectives were planned for the city from the beginning, namely:

--Contribute effectively to alleviating the population pressure and overcrowding in the city of Cairo and in al-Jizah Governorate and alleviate the encroachment of construction on cultivable lands, with all the subsequent developmental, economic and social problems emanating from this encroachment.

--Have the city constitute an attraction center for new industries and for expansion in the industries already existing in the province.

--Offer at least 80 percent of the city's work opportunities to the city's inhabitants so as to underline its independence and so that it may not constitute a burden to the province.

--Create a construction and economic center on the Cairo-Fayyum-Oasss axis.

--Create an environment that is distinguished in construction and economy.

The minister added: The youth have contributed to the construction of the city, using the latest means of modern technology through which they have achieved a miracle in terms of production volume.

The minister further said: The environment is now paved for the investor's role.

Engineer Fu'ad al-'Ishari, the Chairman of the Development Societies Authority, said that the construction area of the 6 October City extends between the tourist area (4,000 feddans) east of the city and the industrial area (2,500 feddans) west of the city. The acreage of the city's construction is 11,400 feddans.

The population of a quarter ranges from 25,000 to 45,000 people. Each quarter consists of 6 to 8 neighborhoods, each with a population of 4,000 to 6,000 people.

### Three Areas

Engineer Fu'ad al-'Ishari added: The city is divided into three areas: The tourist area, the residential area and the industrial area. Insofar as the tourist area is concerned, it is the first complete tourist area in Egypt. It covers 4,000 feddans and comprises the elements of numerous activities, including:

--a group of six tourist villages and a therapeutic village;

--a tent city and a center for mobile units;

--a commercial, recreational and tourist center that includes shops, bank branches, offices, hotels, theatres, movie houses and restaurants;

--a conference, communications and fair center;

--overlapping parks which include a zoo, an arboretum and a marine life aquarium;

--a children's park and recreation park;

--golf courses;



--an equestrian club, a horseback riding school, a center for Arabian horses and an equestrian exhibition area;

--a complete athletic club;

--a complete sports city;

--open green spaces.

#### Residential Area

Regarding the residential area, al-'Ishari said: The city contributes a big share to the state's housing plan. The housing area is located between the two economic attraction centers, namely, the tourist and industrial centers, and built on an acreage of 4,254 feddans, including open spaces, parks, roads and services. This area is divided into 12 quarters, each containing 10 to 12 residential neighborhoods. The services are available at the neighborhood and quarter centers and at the city centers. In addition to the residential area, one of the quarters in the tourist area has been set aside for the construction of luxury housing in order that it may act as a nucleus for the development of the area. Al-'Ishari further added: In view of the increasing demand for the city since the initiation of the executive steps for construction and to deal with the increasing activities, a housing expansion plan has been drawn up for the development of an area in the northern part of the city equal in acreage to nearly 30 percent the [current] residential area.

Consequently, the estimate for the city's final population after the year 2000 has been raised to 965,000 people.

Engineer Najwa Fu'ad Ahmad, the engineer supervising the implementation, has said that the industrial area is located southwest of the residential area, that it will cover 2,500 feddans when completed, that it will include small, medium and above medium industries and will consist of 3 sectors: The first including nonpolluting industries that produce no noise, such as food and textile industries. This sector will cover 864 feddans and will have 17,730 workers. The second sector includes the chemical, paper, construction materials and timber industries, will cover 1,132 feddans and will have 18,000 workers. The third sector includes the metal, engineering and electrical industries, will cover 511 feddans and will have 7,120 workers. She added that the industries have been classified according to size, number of workers, density and the plan dividing the required land into sections for small, medium and above medium industries. This is in addition to the extension to the industrial area which covers 1,000 feddans and which is equipped to accommodate heavy industry plants with an area of more than 10,000 M<sup>2</sup>.

Engineer Najwa Fu'ad Ahmad added: The industrial area currently contains nearly 51 plants, including 35 plants under production and 16 plants that have already produced a variety of goods. These include plants that have produced soybean milk products, corned beef, tiles, mattresses, insulation

materials, (B.C. granules), large plastic bags, metal structures and refrigerators. The area also includes a plant for the production of readymade metal units and metal scaffolding on a plot of 4,300 M<sup>2</sup> and the first plant for the production of synthetic sponge.

Engineer Hasan 'Abd-al-Muta'al, head of the city's executive agency, said: Executive work in the city of 6 October started at the beginning of 1982. During this short period, we have been able to extend the city's construction zone over an area of 5x13 km. This is an area equal to the area extending from al-Tahrir Square in the north to al-Ma'adi in the south. The entire area has been equipped with the facilities needed for construction. A road network with a length of 46 km has been built in the city. We have also started work on the city's internal roads which are 70 km long. As for drinking water, Engineer 'Abd-al-Muta'al said that a pipeline with a diameter of 1,500 mm and a length of 20 km has been installed. Moreover, 38 km of the city's main pipeline network for the first phase, which has a total length of 54 km, have been installed. In addition, 95 km of internal networks for the quarters have been extended. Regarding electricity and telephone construction activities, he has said that 13 km of aerial powerlines with a tension of 11 kv have been extended, the lighting network for the main streets, with a length of 45 km has been completed, seven gas-powered electricity generators with a capacity of 30 MW have been installed and the city's permanent telephone exchange building has been completed.

He added: We have planted 11,400 trees in the green belt and a total of 1,600 trees have been planted along 2 km of the city's streets. Moreover, 100,000 seedlings have been produced to supply the city with its needs in trees, bushes and democrative plants.

Regarding the city's services, he said: The reception building has been constructed at a cost of 1 million pounds, 10 basic education schools have been built at a cost of 10 million pounds, 9 kindergartens have been built at a cost of 1 million pounds and 10 mosques have been built at a cost of 2 million pounds. Moreover, a commercial market, a medical center, a bakery and a fire and security station have also been built.

In conclusion, Engineer al-'Awadi Muhammad, director of the city's utilities, said that an ambitious plan has been drawn up to build the housing for the first phase of the city's growth, consisting of 20,000 housing units, with emphasis on economy housing and low-cost housing. The number of the economy-housing units amount to 13,045 units or 65 percent, the middle-level housing units amount to 3,382 units or 17 percent and the luxury housing units amount to 3,573 units or 18 percent. The utilities for 3 cooperative housing quarters extending over 1,150 feddans and comprising 33,300 housing units are currently under construction.

As to whom the city's housing will be given, Engineer al-'Adili Muhammad Darbaluh, the deputy chairman of the Development Societies Authority, said: Delivery of the city's housing units will start as of the beginning of next July and will take place in consignments over 3-month periods. He added: The top priority will be given to the investors and to the workers

in the city's services who will be given the housing as administrative housing. The priority in housing will then be given to the workers of the ministries which will be moved to the city and then to the investors in commercial services. The rest of the housing will be given to the common people wishing to emigrate to the city. The deputy chairman of the Development Societies Authority added: The area of the units differs from quarter to quarter. In the luxury housing, the unit area amounts to 1,850 M<sup>2</sup>, in the middle-level housing to 120 M<sup>2</sup> and in the economy housing to 60 M<sup>2</sup>. There is also low-cost housing for people with a limited income in which the unit area is 50 M<sup>2</sup>. Engineer al-'Adili Darbaluh asserted that a part of the housing in these cities will be set aside for sale and the other part for administrative housing. The sale will be made in accordance with the Housing Bank law which requires that the resident pay one-quarter the value in advance and the rest in installments over a period of 30 years and at an interest rate set by the bank.

#### Al-Sadat City

How will life look in al-Sadat City, which is located halfway on the Cairo-Alexandria highway?

How will it include recreation centers which entice the citizen to emigrate to it without his missing the means of recreation?

How will it, moreover, include the Desert Studies Institute which will attract to it the researchers of science and knowledge?

Engineer Hasaballah al-Kafrawi said: Al-Sadat City is a fundamental part of the national plan seeking to develop the desert areas. The city has been built to be an industrial base primarily and then an agricultural base. When completed, it will provide nearly 165,000 work opportunities. The city has been designed to absorb nearly one-half million people in the first 5-year plan.

Engineer Fu'ad al-'Ishari, the chairman of the Development Societies Authority, said: The city has a main axis in which the fundamental services are built--a sports stadium, the ministries complex, a university, a tourist hotel, a general hospital, commercial markets for various goods, main administration buildings, public parks and recreation areas.

The chairman of the Development Societies Authority added: The city's main industries are located along a special industrial axis situated in the southeastern part of the city to protect the city from the pollution caused by industry.

The city's general plan includes 32 residential zones, with every 2 zones forming a quarter in the center of which are located preparatory and secondary schools and health care and social, cultural and religious service buildings. Each residential zone contains nearly 3,000 units of economy, middle-level and above middle-level housing. Each type of unit has a different area. He further added: To make it possible to utilize the

natural resources of the city's desert environment, an institute for desert studies belonging to the American University of Cairo has been built and it is using solar energy as ever-renewable energy to generate electricity to be utilized for various purposes. The institute is also conducting studies on the area's winds for the possibility of utilizing them as another source of renewable energy. Field studies and research are also being conducted on various methods of irrigation and different kinds of crops so as to choose the most suitable and fittest of these methods and crops for the city and its environs.

#### Construction Development

The presence of al-Sadat City will have an impact on the area around it and will generate civilizational development all along a new construction axis on the desert highway. The growth rates of al-Natrun area will accelerate and other urban concentrations will be created around the city. Regarding the city's water supplies, al-'Ishari said: There is under the site designated for al-Sadat City an extensive area of underground water at a depth of 300 M. This area has accumulated its water through seepage from the Nile River and from the irrigation and drainage canals located northeast of the site.

Engineer 'Ali Hasan, the head of the city's administrative agency, said: By virtue of the nature of the city and of the population, housing in al-Sadat City has had to be governed by a certain design and a certain philosophy. The houses generally are of low height and built at a density that permits the presence of sufficient shady spaces in the streets alongside which it is difficult to plant many trees.

#### What About Sale?

The philosophy of selling housing is what governs housing in al-Sadat City. The city's houses must be owned by those who live in the city. As an incentive to attract residents and workers to the city, it has been proposed that this policy be embraced, that plots of land with suitable small areas be provided and that the necessary long-term loans be advanced at a low interest rate to finance the construction.

The residential neighborhood has been designed to accommodate 4,000 to 6,000 people and to include in its center an elementary school, a mosque, a social unit, an industry and a sports area.

#### Industrial Base

Engineer 'Ali Hasan added: Al-Sadat City will include heavy industries and light industries side by side. The stacks of iron and steel plants, of cinderblock plants and of cement and fertilizer plants will rise side by side with the stacks of timber, food and readymade clothing plants. Small units will also be set up for the small manual crafts.

The head of the city's agency also said: All of the city's services and utilities are now fully ready. The housing units will be delivered to the

workers employed in the investment companies and plants currently existing in the city and then to the workers of the city's services and utilities. A ministries complex has been built in the city in the hope that some ministries will be moved to it in the future. As for land sale, the price of a square meter of land prepared for construction has been set at 12 pounds. The agricultural lands are fully prepared for cultivation. Moreover, the city's utilities are complete. The water sources, the treatment of sewer and waste water and irrigation of the green belt and of the city's parks are fully covered in a study on protecting the city's underground water reservoir. The study also covers fertilizing the city's soil and protecting its green space. The water resources in the underground water layer are enough to supply the city's industry and a population of up to 1 million.

8494

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EGYPT

PROBLEMS WITH MONETARY REFORM OUTLINED

London AL-TADAMUN in Arabic 20-26 Jul 85 p 35

[Text] Monetary and economic reform is practically the foremost goal and a common factor in Egypt's domestic and foreign politics, and regulation of the money market occupies a strategic position in Egypt's multi-faceted economic problem. The open-door policy without controls during al-Sadat's era has caused many serious side effects and economic ills, and Egyptian economists agree that monetary and economic reform is not incompatible with the need to develop and purge the banking system in Egypt, which burgeoned during al-Sadat's era from 8 Egyptian banks to 92 banks and about 500 branches of foreign banks in Egypt, some of which constituted a group of cancers within the Egyptian banking system.

In 1977, to be precise, there were only four main banks: the National Bank, the Bank of Egypt, the Bank of Alexandria, and the Bank of Cairo. In addition, there were four banks with specialized functions: the Industrial Bank, the Agricultural Credit Bank, the Afro-Arab Bank, and the International Arab Bank. The latter two do not deal in Egyptian pounds. Within 5 years, up until the end of al-Sadat's rule, 92 banks and about 500 foreign bank branches came into being, under cover of the law for investing foreign and Arab money, and these banks are tax exempt for periods ranging between 5 and 15 years! Some of these are owned by Egyptians in partnership with the public sector, or without such partnership.

Some of these banks: the Suez Canal Bank, the Pyramids Bank, the Nile Bank, al-Watani Bank of Egypt and the people's development banks that are affiliated with it, the Tijariyun Bank, the Muhandis Bank and the Workers' Bank; Arab-Egyptian banks, the Alexandria-Kuwait International Bank, the Delta Gulf-Egyptian Bank, Faysal Islamic Egyptian Bank, and the International Islamic Development Bank.

Foreign banks such as: Misr International Bank, Misr Exterior, Chase National Bank, Egypt-America Bank, Cairo Far East Bank, Cairo Paris Bank, and Cairo Barclays Bank.

Foreign bank branches, such as: Abu Dhabi National Bank, Amman Bank, al-Jamal Trust Bank, al-Rafidain Bank, and Citibank.

Although financial and economics experts agree on the need to develop and purge the Egyptian banking system as a start to monetary and economic reform in Egypt, they differ on the collection of steps, operations and treatments needed to end the hardships of the money market in Egypt. They also differ on the extent of Egypt's need for this huge quantity of banks and the returns that they bring to the Egyptian economy with regard to the huge profits that these banks make through trading in hard currencies, especially in connection with the remittances from Egyptians working abroad, Egyptian tourism revenues, and financing import operations without currency exchange; these are channels which represent the principal activity of the black market for currency, or in more polite terms, the equivalent money market. Then there is speculation by some of these banks in metals, and serious deviations embodied in loans to a group of swindlers who were able to get loans that in some instances exceeded the volume of the lending banks' capital.

The cancerous activity and the uncontrolled banking cells within the Egyptian banking system go back essentially to the unnatural growth of these banks without controls or restraints, since it was possible for any group, from anywhere, by just contacting those responsible for issuing banking licenses, to get a license to open a bank in all simplicity without having to present any obligations except for the capital, which it could withdraw as soon as the bank was set up and had started its activities.

Thus the nature of the hasty growth of these banks was the reason behind managers introducing corrupt financial and economic operations into the money market. Then that was followed by mismanagement, and a rush by groups, such as corrupt employees who had been fired by the Egyptian banks, to go work in these new banks. Some money laws helped to direct these banks to trading in foreign money, which was essentially their main activity, then they were subjected to losses as a result of speculation in gold and a rise in the proportion of dead loans and loans whose repayment was in doubt, which ranged between 35 and 75 percent of the credit granted to clients in some cases.

It seems that there is a trend towards development in fact, but an experiment to develop the banking system last January is still evident, and it was not able to continue for more than 3 months from February to last April. Among the proposed measures is the possibility of merging every group of banks of a single type into one bank, such as the group of banks that are owned by Egyptians in partnership with the public sector (the Nile Bank, the Suez Canal Bank, the Pyramids Bank, the National Bank, the Tijariyun Bank, the Muhandis Bank and the Workers' Bank). They would be together as one bank capable of contributing to the national economy and of carrying out numerous integrated activities. Then the merging of banks owned by Egyptians in partnership with Arab money into one bank as well. If the merger of foreign branches were to face problems, it would be possible to make them follow limited productive investment plans, as long as they have made use of and used up their tax exempt periods.

There is the idea of licensing exchange offices to operate in the money market; however, Egyptian economists believe that most foreign banks and their branches

and private banks already carry out these functions, unless the intent is to grant legitimacy to an illegal money market and to increase the cancerous sites within the Egyptian banking system.

If the exchange system has worked in some Arab countries, that is because the money changers work within a money market with abundant foreign currency. But in Egypt, the banks finance operations of importing from abroad, and it is not expected that the foreign money that accumulates with the money changers will be used to finance such operations. Considering the local circumstances that the Egyptian economy is enduring, use of exchange bureaus will cause the Egyptian pound to drop further against the dollar.

But are those who call for economic and monetary reforms in Egypt leaning towards establishing a single exchange company that would carry out all buying and selling operations in complete accordance with free prices while waves of floating the Egyptian pound against the dollar have caused it to approach exchange prices on the free market? There is nothing left to do but establish a national company for exchange that would be in charge of meeting the needs of all banks operating in Egypt whether affiliated with the public sector, the private sector or jointly, or foreign bank branches. Of course the Central Bank would not have authority over this company so that the exchange price would appear to be arbitrary, but of course it would continue to have supervisory powers.

All that is rational, or appears to be rational. But reform or development or purging are scarcely begun when there are complaints from the capital claiming that they are cowardly!

12547

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EGYPT

# PERSONAL STATUS LAW'S HANDLING OF MARITAL DISPUTES CRITICIZED

Cairo AL-AHRAR in Arabic 1 Jul 85 p 4

[Article by Kamal Khalid: "Personal Status Law and Danger That Has Been Absent From Dialogue"]

[Text] Tailoring laws according to whims and caprices has become a characteristic of the age and an art for which professors and teachers have surfaced and in which brilliant scholars have excelled, mastering this art as a craft saving them the indignity of having to ask the wicked and offering this art as a commodity bought and sold in a market where the trade of hypocrisy, deception and falsehood has flourished.

The most famous laws demonstrating this art and filling the nose with their stench include the legal profession laws No 61 of 1968, No 17 of 1983 and No 227 of 1984, abolished personal status law No 44 of 1979, the People's Assembly law No 38 of 1972, amended by law No 16 of 1974, law No 109 of 1976, law No 109 of 1976, and law No 14 of 1977, decree by law No 21 of 1979, decree by law No 22 of 1979 and decree by law No 23 of 1979 and last, but not least, law No 114 of 1983 which innovated the system of election by conditional proportional party lists.

Considering that the Supreme Constitutional Court has killed the personal status law and has stated that it is an unconstitutional law because it was issued hastily in the absence of the People's Assembly and in the manner in which emergency laws are issued, I am almost certain that the same fate awaits the brilliant professors' production of other laws tailored exactly to personal or partisan shims.

Considering that the Supreme Administrative Court has made its decision that the appeals contesting the constitutionality of the law on election by the conditional proportional party lists are serious contestations and considering that it has referred the issue to the Supreme Constitutional Court, the other tailored laws, including the above-mentioned legal profession laws are, God willing, on their way to their inevitable fate as long as we continue to have the zeal, dignity and pride of the Egyptians in us. No right behind which there is a claimant will be lost.

If recollection is beneficial to the faithful, then it is beneficial to backtrack with our memory a little to review and remember the circumstances

and reasons for which the personal status law was tailored and concocted so offhandedly and why, like the emergency laws, it was promulgated on a presidential decree by law in the absence of the People's Assembly and why it has merited this end that is compatible with its beginning.

To tell the truth, the Lebanese AL-MAJALLAH magazine saved us the effort of searching when it raised the curtains on the mystery engulfing this issue and published in its edition No 1010, issued on Friday, 19 March 1976, a long interview conducted by Salwa al-Dawa, the magazine's correspondent in Cairo, with Mrs Jihan al-Sadat. In the interview, Mrs al-Sadat said: "Insofar as the personal status law is concerned, I have not kept silent and will not keep silent. I was behind raising the issue in the national congress when I urged one of the ladies to ask the president what he had done regarding the personal status law. When she asked the question, the hall rose in uproar and a shaykh stood and made some disgusting statements, asking, "What more do women want than they have already gotten?" Mrs Sadat added: "I realized on the day the issue was debated in the national congress that this law would be implemented, but gradually, and that discussing it angers certain people. This is why we will one day put a fait accompli before these people and they will approve it. This is my sole preoccupation and I will not abandon it."

Whoever reads this interview must sense the seriousness of the law which Mrs Jihna al-Sadat embraced and for whose promulgation she fought when he ponders her answers which reveal the ideas she embraces. When, for example, Mrs al-Sadat was asked: "Do you believe in freedom for a young woman upon her reaching the age of 16 and to what extent?" she answered:

"I do, of course, believe in the principle of freedom, but within limits. However, I do not imagine to find her with a young man because our environment is a conservative environment, even though I believe in co-education from childhood and through college but only as brothers and friends." Mrs al-Sadat then added: "I have no objection to attraction between a female employee and her coworker and a female student and her fellow student, but within limits. If there is attraction between the two, the man should ask for her hand from her family and then they are free. I do not advocate strictness with young women or confining them to the house. This is wrong." Mrs al-Sadat also denied categorically that there is a single veiled woman in Egypt.

On the occasion of the ongoing dialogue concerning the personal status law scheduled to be promulgated soon, I am eager to single out an important point which, I have noticed, is fully absent from the dialogue and the discussion, even though it is a serious point and it is important to deal with it and to obviate its damage.

Article 6/6 of the abolished presidential decree by law No 44 of 1979 states:

"If the wife refuses to obey the husband unjustifiably, spousal maintenance shall be terminated as of the date of refusal."



"A wife shall be considered unjustifiably disobedient to her husband if she fails to return to the marital house after the husband calls upon her to return through a court summons. In this summons, the husband must specify the house.

"The wife may appeal such summons before the lower court within 10 days of the date of the summons. In her appeal, she must point out the legal aspects on which she bases her refusal to obey him. Else, her appeal shall be rejected.

"The termination of her spousal maintenance shall become valid at the end of the appeal period if she fails to present the appeal on time..."

The practical application has shown that this article has been behind the fearful increase in the number of cases before the courts, not to mention that it has been behind the rapid destruction of marital life upon the emergence of the first disagreement or misunderstanding between married couples. This is because the article hurries people to take steps and resort to the courts. It is well known that when a disagreement between married couples goes beyond the circle of the family and helpful friends and reaches the courts, numerous concepts which constitute the mainstay of marital life are demolished and, in most cases, the hope of restoring and resuming this marital life is destroyed.

If it is acceptable that the law permit the husband to summon his wife to return to the marital house through a court usher, then it is totally unacceptable that we force the wife to rush, and within 10 days only, to contest the summons before the courts.

This rigid article has put the powerless wife between a rock and a hard place: Either rush to sue the husband and thus ignite the fire of a conflict with him or lose her rights. Both options are cruel and violent, not to mention that they transfer, without any justification, the burden of negotiation and of litigation before the courts from the husband "who demands obedience," to the wife who may have left the house for a period during which both sides could calm down and ponder, and who resorts to her family or to helpful friends to reconcile the two and to restore marital life with the same esteem and the same noble concepts and values and without being tarnished by the violence of litigation or intruded upon by strangers whose presence is imposed by resorting to the courts.

This article needs a careful and vigilant review in order to reach a wise provision that eliminates the siege struck around the wife and that saves her from the forced need to rush to the courts in violation of the traditions of our deep-rooted Egyptian society which have turned the path of litigation, especially in personal and marital affairs, into the last path to which couples resort after all humane and friendly methods fail to settle or end the disagreement between the couple.

This makes obvious the unconstitutionality of Article 6/6 of presidential decree by law No 44 of 1979 by virtue of this article's violation of article 12 of the constitution which states that "society shall tend and protect morals and shall entrench deep-rooted Egyptian traditions..."

"The state shall abide by these principles and shall entrench them."

There is no doubt that the article which requires and forces the wife to rush to file the appeal lawsuit within 10 days of her being notified of the summons to return has fully ignored the genuine Egyptian traditions observed when disagreement erupts between a couple--traditions that give family and friends an adequate chance to reconcile the couple, restore harmony between them, restore their normal life and revive the marital life with all its mainstays and all its sacred meanings and values.

It is evident from the above that this provision which was introduced by the abolished personal status law is the most serious provision to be amended in the new law. I have been surprised that this issue has been absent so far from the heated debate that has been dealing with issues which, I think, are not more important or serious than this issue.

8494

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EGYPT

BRIEFS

U.S.-SUPPLIED MILK MISUSED--The U.S.-supplied milk designated for free distribution to school children in al-Minufiyah Governorate has ended up in the private sector's white cheese factories. The governorate's supply intelligence men have discovered the present of U.S. milk supplied as aid in white cheese factories in the towns of Quwaysinah and Birkat al-Sab'. The public prosecution has begun its investigation with a number of officials to find out how the aid milk has ended up in the factories. [Text] [Cairo AL-AHRAR in Arabic 1 Jul 85 p 1] 8494

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SUDAN

POLITICAL, ECONOMIC PROBLEMS REVIEWED

East Burnham ARABIA: THE ISLAMIC WORLD REVIEW in English Jul 85 pp 44, 45

[Article by Tigani Abdel Gadir]

[Text]

Though most revolutions in the Third World could easily be defined as popular uprisings against military intervention in politics, this definition does not apply properly to the latest Sudanese revolt, in April 1985. It was a popular uprising with — and not against — the armed forces. Army officers who sided collectively with the people have come to be seen as revolutionary partners.

Not surprisingly, this army-people coalition conceals a host of problems. The people have no elected representatives in the transitional government — though a National Alliance of trade unions is allegedly speaking for them. These trade unions, to be sure, are not without credentials. They organised the demonstrations and led the general strike that precipitated the downfall of Numeiri's regime — a highly-appreciated initiative that gave them popularity, although it could not, of course, give them the right to speak for all the people.

Seeing the difficulties caused by such a vulnerable mandate, the trade unions submerged themselves hastily into a broader alliance that incorporated both the traditional political parties and the communists. The anti-communist Muslim Brotherhood refrained from the Alliance and formed their own Islamic National Front (INF). The INF's main objective is to unite those sectors of Muslims who overtly identify themselves with the Shariah, including the powerful sufi brotherhoods.

The National Alliance (of trade unions, communists, nationalists and the Ummah party) and the Islamic National Front are becoming the real forces that could determine the foreseeable future in Sudan. This is not to ignore the fact that there are more than 30 newly-formed political parties. Apart from the Baathists and the pro-Libyan neo-Nasserists these groups are not easy to define. Their forthcoming programmes, if they have any, are not expected to shed light on the already-darkened and overcrowded political arena. An anti-Numeiri professional, who happened to re-visit Sudan after long years of self-exile, told me: "People are still where they were sixteen years ago but they are now poorer and more confused."

The uncoded relationship between the National Alliance as a political group and the presumably-neutral members of the civilian cabinet adds to the confusion. The NA has the illusion that the ministers whom it nominated are "its" ministers and have to follow its partisan instructions. The transitional Military Council, on the other hand, vesting in itself the legislative authority, is viewing the civilian ministers as its executive technocrats who are to carry the Military Council's instructions.

Standing aloof are the masses who took to the streets last April, toppled Numeiri's government and brought them all, civilian and military, to office. Looking patiently for the fruits of their labour, these masses want prices to be cut, food to be brought in

from wherever it can be, and subsidised. And they want, above all, not to be left again to foreign aid agencies and their workers. The new ministers are hence expected to occupy themselves, as non-political professionals, with nothing but the acute problem of drought and famine; an objective which they are obviously falling short of achieving.

What makes this civilian cabinet slightly helpless is that its political supporters and advisers are badly divided among themselves. The Ummah party has broken into three factions, led by Sadiq al-Mahdi, his uncle, and his cousin. Before they can give advice on public affairs they need to patch up their parochial relations. The Unionists, who are divided between Egypt and Libya on the one hand and between sectarianism and secularism on the other, are obviously far worse.

For an outside observer it is interesting to note that the Military Council seems more informed, well organised and highly-united compared to the civilian cabinet, some of whose members have never even seen each other. Differences between the two bodies are consequently on the rise, particularly on issues related to foreign policy.

For instance, Gizuli Dafalla, the new prime minister, told a Saudi paper (May 22) that the accords signed with Egypt under the deposed Numeiri regime were a sham, and that they would be abrogated. Many politicians immediately concluded that the new prime minister was overdoing it. Whether he was inexperienced in regional geo-politics, they said, or he was pushed by his anti-Egyptian partisan alliance, he would certainly need to be corrected. They proved to be right when, only a few days later Defence Minister Brigadier Osman Abdulla appeared on Sudanese television to say that the joint defence agreement between Sudan and Egypt remains legal and valid. "The appeal to revoke it by some people" he said "was not based on a precise understanding of the agreement."

There are, however, some other internal issues on which all views have met: cleaning all traces of the former regime from the country is one of them. It is perhaps a more appealing issue for the masses and a less difficult course of action, to liquidate, purge and put people on trial.

It has the psychological and temporary effect of making the masses forget the right to live decently while enjoying the right to punish.

All the leading figures of the defunct Numeiri regime are waiting to be put on trial, save Numeiri himself who is in Egypt. Among them are the nine free officers with whom Numeiri staged his coup in 1969. They are to face charges of violating the constitution and overthrowing a democratically-elected government.

Omar al-Tayyib, former vice-president and chairman of the liquidated security organ is also behind bars charged with corruption and high treason. Omar al-Tayyib is said to have been directly involved in the airlifting of the Ethiopian Falasha Jews from Sudan to Israel in what came to be known as "Operation Moses," and to have received payment for it.

Yet putting three vice presidents and aides on trial while the president himself is honourably received in Cairo, only two hours from Khartoum, does not seem to have much logic or fairness. "Numeiri must be brought back" was the popular cry in Khartoum, but Egypt understandably will not hand him over. On his first revolutionary days in office,

Prime Minister Dr Gizuli Datalla was promising to bring Numeiri back like any criminal. A few weeks later, perhaps after being briefed on the facts of the situation, he told *Akhbar al-Khalij* newspaper that his "government will not create a crisis with Egypt over this matter." Numeiri, it has turned out, is not just "any" criminal.

Maintaining good relations with Egypt is not enough. The transitional government needs to pay a great deal of attention to the two million people who live in Khartoum and who, more significantly, have acquired certain revolutionary techniques that can overthrow governments. Lorries that were supposed to go to the famine-stricken and remote regions of Darfur and Kordofan in the west have been, accordingly, diverted to Khartoum. This policy could, of course, prove to be dangerous, and unless the effects of the economic crisis are reasonably softened, a return to democracy could be in jeopardy. Some political parties, like the Baathists



and the communists, whose chances for success in a democratically elected parliament are terribly narrow, would certainly manipulate food riots to put pressure on the transitional government so as to trivialise or endanger elections.

However, even if bad economics and anti-democracy leftists' antics are ignored, the traditional, but dormant, political parties remain. Leaders of these historically big parties may not be contented with the role of advisers to a powerless transitional Council of Ministers, nor would they choose to confront the broader and popular Islamic National Front over the Shariah issue. They may, cunningly, try to ally themselves with the military officers on the basis of a new agreement or charter.

Facing the danger of civil war in Southern Sudan and seeing the growing weakness and fragmentation in the North, the military officers would of course be too idealistic to be true if the option of consolidating their power, to the exclusion of greedy and feeble political parties, had not crossed their minds.

CSO: 4500/169

SUDAN

AL-UMMAH PARTY LEADERS DISCUSS CONFLICTING VIEWS OF CURRENT SITUATION

Wali-al-Din al-Hadi al-Mahdi

London AL-DUSTUR in Arabic 15 Jul 85 pp 22-28

/Interview with Wali-al-Din al-Hadi al-Mahdi by 'Umran Muhammad; in London, date not specified/

[Text] A few days before his trip to Ethiopia, to which he came from London, in order to arrange for and accompany the return of the Ansar's fighting men to the Sudan following an exile which lasted a number of years, AL-DUSTUR held this comprehensive conversation with Mr Wali-al-Din al-Hadi al-Mahdi, leader of the al-Ummah Party -Imam al-Hadi's wing within the democratic dialogue now going on in the Sudan, whose chapters AL-DUSTUR is following.

Our approach with Mr Wali-al-Din was to begin addressing him with a question about the nature of his meeting with Lt Gen 'Abd-al-Rahman Siwar al-Dhahab, chairman of the Provisional Military Council, following the success of the March-April uprising. He replied by saying:

"The goal of the meeting was to salute the revolution and praise the army's siding with the masses of the people in their triumphant revolution. Another of our objectives in the meeting was to explain our viewpoint concerning the country's conditions and also our demand for an investigation into the issue of Imam al-Hadi al-Mahdi and the Aba Island, Danubawi and Karmak incidents. We raised this before the Military Council since we consider that that is part of its responsibilities, to review these issues so that an investigation can be made into them and retribution may be exacted from the people who helped take the political decision regarding these events.

"We listened to our brother Siwar al-Dhahab's explanation concerning the current circumstances the country is going through. The meeting was fruitful and beneficial, and we hope that it will be followed by practical steps toward disclosure in stating the facts to the people, since the policies of the regime which has been eliminated led to very distressing catastrophes in the form of bloodshed and the crushing of people's lives during the events of July 1976, September 1975 and so forth, as well as the injustice which befell all Sudanese and what happened in the uprisings against the exterminated regime."

AL-DUSTUR: Therefore you addressed yourself in the presence of the Military Council to what happened in the previous upheavals.

Wali-al-Din: No, they were not addressed in any detail; rather, we discussed all domestic issues in general terms after having dealt with the issue of Imam al-Hadi and the events of Aba Island, Danubawi and so forth.

The injustices which occurred require that retribution be exacted from the people who took the decision on it. This means that some people were given orders or did not have a hand in it, but this does not excuse the groups which took the initiative of torturing and were responsible for abusing people and for the bad treatment of prisoners, which reached the point of murder. The security agency members, headed by 'Umar Muhammad al-Tayyib, must be held to account, and there is no forgiving those who tortured the people and who had the power to refuse or resign. Since they obeyed the May gang's orders and carried out its policies, they therefore are at the same level of responsibility relative to the people who took the decision, and therefore they must be held to account.

AL-DUSTUR: In a previous meeting AL-DUSTUR had with you, you pointed out that the army's role in eliminating Numayri's regime was to stand alongside the people, and this was achieved in the March uprising. How do you envision the army's role following the triumph of the uprising in terms of its relationship to political activities?

Wali-al-Din: We consider that the armed forces are an integral part of the people and are responsible for protecting the nation and the citizens from all aggression. At the present time, it has a further responsibility, and in order for these responsibilities to be borne the armed forces must first of all be neutral vis-a-vis the political parties. The Military Council's role is to supervise and watch over the transitional period, and also to supervise the elimination of the traces of the previous regime and hold those who trod the rights of the people underfoot, killed and embezzled to account.

AL-DUSTUR: Is this the responsibility of the Provisional Military Council only, or does it apply to the provisional government, the National Grouping and the political parties?

Wali-al-Din: Yes, it is a collective responsibility. The Military Council cannot do all this alone. Since the revolution was a collective one, the treatment will be collective. Since the transitional period is for a period of a year, the Military Council, the provisional government, the political parties, the unions and even the individuals who can take part must cooperate.

AL-DUSTUR: Therefore the Military Council's role in this is integrated with the provisional government, the political parties and the unions in order to get through the transitional stage and carry out its tasks.

Wali-al-Din: The Military Council here has the role of supervision and guardianship over the administration of all matters by just, fair means in the context of the law. This means that no person or group has the right to take

the law in its own hands or violate the rules of democracy and pronounce verdicts over others. Therefore we seek the arbitration of the Provisional Military Council regarding supervision of the course of justice, the fair treatment of everyone who has been unfairly treated and holding everyone who has been unjust to account.

AL-DUSTUR: Does the supervision you have talked about give the Military Council legislative powers and cause it to play the part of the supervisor of political forces, unions and the transitional government, or is the role of supervision here to ensure the people's rear flank and protect the attainment of democracy?

Wali-al-Din: Yes, the Military Council codified legislation which is in the form of a charter then declared it on 6 April, and specified that the status of the Provisional Military Council was to support the people's rear flank. Its identity and orientation also became clear, and we all became confident that the armed forces, foremost among them the Military Council, were standing alongside the Sudanese people. All the talk that has taken place, the legislation that has been codified and the charter that has been set forth have been demanded by the people. However, there are some tasks which have to be carried out immediately, such as rescuing the country from the economic crisis and drought and liquidating the regime which has been eliminated. These are difficult tasks and the Military Council and the provisional government must cooperate in them. The economic problem, for example, is a big one and requires interaction from everyone, and the same with all the national problems which are of concern to people. The transitional period is very delicate. Everything in it requires cooperation, and no bodies can arrogate any responsibility to themselves, whether they are political parties, the National Grouping or anything else. If the people's demands in their revolution against the regime which has been eliminated are not satisfied, the economic situation remedied, the criminals held to account and all national issues resolved, we will have thwarted the April revolution.

AL-DUSTUR: This leads us to a question on the liquidation of the effects of the previous regime and also the political forces' exercise of democracy. Where will the liquidation of the previous regime begin, and how will democracy be exercised?

Wali-al-Din: In reality, the elimination of the effects of May will begin with the elimination of the current economic crises, holding the people who have acted corruptly to account and carrying out everything the people demanded in the April revolution. Of course the gains are not all material. There are the general freedoms and the issue and exercise of democracy. It is necessary to respect one another's rights without arbitrariness, since there are many bodies which act as if Numayri still exists and are trying to provoke others and follow a style which threatens democracy. We believe that there is no difference between these bodies and Numayri and that the Sudanese must be wary of them, because they constitute a threat to the future of the Sudan and the gains of the April revolution, and are May in a new face.

We in our turn have confronted these bodies, have got in touch with officials and have explained the scope of these provocations to them. They

intend to intervene in democratic ways to remedy the dissension which is about to happen. We must be aware of the period of dictatorship which lasted 16 years. We must not proceed along the road which led to Numayri's dictatorship, the road of suppressing freedoms and of arbitrariness. We must consult with one another and respect other people's views and ideas. When we differ, we must seek arbitration from the people by legal means.

AL-DUSTUR: On the basis of the previous question, how do you in your capacity as the leader of Imam al-Hadi's Ansar view the solution of the problem of the south?

Wali-al-Din: At the present time the problem of the south is embodied in Col John Garang's rejection of the legitimate character of the present situation in the Sudan, which is a situation the people have accepted. It is unfortunate that someone should oppose it, but Garang has, and has opposed the April revolution, that is, as if he was opposing the Sudanese people and their achievements. In our opinion, the south is not John Garang. The south of the Sudan is the overwhelming majority which supports the new situation. We are in agreement with many of them, with the goal of creating a rapprochement and greater mutual thinking among all the Sudanese parties in the north and the south to coordinate on behalf of the coming period -- the period of the elections, God willing.

AL-DUSTUR: However, if we look at the current situation in the south, we will find that John Garang represents one key to the solution to the problem. Moreover, we observe that the people of the south have extensive experience in losing trust in any ruling regime unless it gives them adequate guarantees. We observe that the program John Garang has set out is aimed at the Sudan as a whole and he is thus denying the charge of secession aimed against him. We also observe that John Garang, since Numayri's removal, has not been enthusiastic about the new situation. Therefore, have you, as a political force in the north, don't you consider that John Garang is not responsible for the consequences of what has gone on in the south, since the person primarily responsible for the civil war was Numayri, who drove some citizens in the south to bear arms against him in the same way he drove some citizens in the north to bear arms a number of times against him, as happened in Aba Island, July 1975 and other armed uprisings? If this is the situation, don't you consider the whole issue to be an outcome which the policies of Numayri's regime have brought to the fore, and consequently that it must be remedied?

Wali-al-Din: The basic motive for Garang's position is that the present situation in the Sudan is causing him to lose the status he enjoyed. He has not accepted the April revolution, because it might make him an ordinary person who has no weight with the masses in the north or the south. Therefore, he is clinging to his presence abroad at the head of 10,000 fighting men.

The second thing is that the Sudanese opposition reached unanimity over the elimination of Numayri and his regime, and when that took place, with the April revolution, everyone accepted this situation except for the people who considered that if they returned to the Sudan they would lose their status abroad or would lose their political or military weight.



What therefore are the demands John Garang is making? The economic situation in the north is worse than it is in the south. The issue is not one of secession, nor is it one of tyranny at the hands of the administration in the north or northerners against southerners. The issue is the status of some individuals more than anything else.

John Garang declares that he wants to liberate the Sudan because he does not have confidence in the Provisional Military Council or the current administration in the Sudan. Why, then, are others accepting his charge that the current administration in the Sudan is illegitimate? That is something that is not accepted by the Sudanese in the north and the south. As is well known, his group itself started to wonder whether John wanted to get it into a permanent struggle against every administration and government in the Sudan. I consider that there is no argument to justify his current position on the Military Council or the provisional government. If he continues in the future to provoke citizens as he is now, as in the unfortunate incident where there were 150 victims, he will find himself automatically in a confrontation with the people and will certainly be defeated and isolated.

AL-DUSTUR: This is one side of the problem: how can we solve the problem in itself? It is well known that the southern Sudan differs from the northern part of it in many respects, in terms of culture or civilization, except that they converge with regard to Sudanese nationalism. If that is the situation, is recognition of the fact of this differentiation the foundation on which the solution to the problem will be radically based, the political forces in the north and the south will acknowledge this differentiation, and the south and the north will each have its rights, which will strengthen national unity? For instance, the south will have its own government in the context of a united country and its rights to economic and cultural development on grounds that that is the issue of the people in the south and the issue which deepened during Numayri's era and ultimately led the armed struggle to reach its current level? On that basis, how do you as a political force view the solution?

Wali-al-Din: I consider that the cultural differences are not the distinguishing factor between the south and the north. Those exist in all areas of the Sudan, because of differences in tribal makeup. The Sudan is one of the countries of the world which have the most numerous differences in components, and what brings them together is the Sudanese identity which has brought them together throughout history, specifically since the al-Mahdi revolution. It is that which has unified these elements in a single context which has extended to Uganda. However, the period of colonialism diminished that. In all the countries of the world a mixture of various elements exists which has come to agreement on a specific national identity as has the Sudan, which includes very many elements. The convergence in terms of civilization among these elements is what embodies the Sudanese identity. It is this identity which brings the Sudanese in their various regions together and is the driving force for solving regional problems. The responsibility for solving any problem in any region of the Sudan, whether it is economic, political, social or other, lies on the entire country.

I have talked about John Garang because the southern Sudan concerns us as an integral part of the Sudan, and John speaks not about the matter of his

secession but rather about the liberation of the Sudan, because secession has become irrelevant, because of the rapprochement that exists among the various groups of the people or the new identity which makes it mandatory that anyone in any part of the Sudan accept the current situation in the Sudan and support it, indeed call for further intermingling to strengthen the Sudanese mixture.

AL-DUSTUR: While the traces of the previous regime were being eliminated, the issue of holding financial, administrative and political corruption to account was raised. How do you view this?

Wali-al-Din: We consider that the issue of holding people to account is very essential and have given the issue of the destruction of lives precedence over financial and administrative corruption. The issue of holding people to account for financial and administrative corruption is inevitable and the government and the Military Council must oversee it case by case. We consider that the holding of trials for corruption is proceeding in a very slow manner which has been noticed by everyone, and that means that it is not in keeping with the spirit of the April revolution, after the 16 years of repression and tyranny which befell the people. The accountability decrees must be in keeping with the spirit of the revolution and there must not be delay or slowness in the decrees. The situation will not allow of delay and is very obvious. There is injustice which must be held to account, and the officials have only to execute. Any delay will mean a diminution in its seriousness, which is not acceptable. We demand that the trials take place as soon as possible, so that they will not be repeated a second time.

AL-DUSTUR: A controversy is underway now in the Sudan over the laws Numayri's regime codified, in addition to the draft constitution the Provisional Military Council has submitted. What is your opinion on this?

Wali-al-Din: We are against all the arbitrary laws which were codified in the era that has been eliminated, and the cancellation of these laws is part of the liquidation of the May regime.

As regards the constitution, we, as an Islamic current, consider that the 1968 constitution is suitable in terms of working articles because Islam does not restrict people's freedoms and contains no injustice or arbitrary action, such as was carried out by the regime that has been eliminated, in its abuse of Islam through its distortion of Islamic laws, in particular its application of Islamic penalties. Let us bring in the 1968 draft, whose necessity as something basic we acknowledge, as far as we in the al-Ummah Party-Imam al-Hadi's wing are concerned, so that Islam may be spared Numayri's methods.

AL-DUSTUR: In a conversation, you pointed out that there were many bodies which have been lying in wait to usurp the gains of the Sudanese people, for the sake of their personal positions. Who is meant by that?

Wali-al-Din: When I made this statement, there was much evidence that some bodies liked the arbitrary methods of the regime which had been exterminated and had arms in their possession; it would have been very easy, if these

bodies had failed to win a specific share in the elections to the next assembly, what it would have been possible would happen, is that they would have made a move to eliminate the democratic situation. The people must be aware and beware of people who if they do not take power democratically will try to do so by other means.

AL-DUSTUR: We have heard it said about you that you are committed to democracy in dealing with national issues and the issues of the Partisans, and are not subjecting them to any family or other influences. We then see that you have quarrelled with al-Sadiq al-Mahdi, who says that you want to become the heirs. What is the background of all this?

Wali-al-Din: We are not demanding an inheritance, as some people say we are, accusing us of having designs on an inheritance. It is not strange that someone should accuse us of this if he is outside the al-Mahdi's house, but the strange thing is that the accusation has come forth from those in it, headed by al-Sadiq al-Mahdi, who is the son of Imam al-Sadiq -- without which al-Sadiq would not have been prime minister once upon a time and no one would have heard of him.

We view the problem from the standpoint of positions on basic issues which are of concern to the people. The people who level this charge at us are those who opposed Imam al-Hadi, fought him, caused a schism in the home and the Partisans' entity and harmed the nation for the sake of becoming premier and acquiring power. Al-Sadiq al-Mahdi, before reaching age 30, clung to power, indeed violated and smashed the rod of obedience and abused Imam al-Hadi personally, although the imam did not deviate from his national, religious and ethnic positions and all the causes of the Arabs and Arabhood, while the positions of the bodies which opposed him were suspicious and they acted in the interests of some major powers. History will bear testimony about people who met in "stables" and gave out suitcases filled with dollars.

Just as history will point in accusation at those who differed with the imam, so will it revere the imam's nationalist positions. What is their stand regarding his position at Aba Island? Where were they? They stood in the ranks of the people who made the coup and opposed the Ansar's stand at Aba, and we ourselves were on the side of the Imam, on the side of our ideological and nationalist position, we ourselves were the imam's Ansar and stood firm, persevered, went into exile and lived in the forests for 16 years. Where are those people who cooperated with the regime? We have proof that Imam al-Hadi knows of the agreement between the people who disagreed with him and the regime. That is the agreement which took place between al-Sadiq and the late Naqdash and Numayri. Therefore, the imam warned the partisans about al-Sadiq, and we will reveal all this when the time comes.

Al-Sadiq al-Mahdi accuses us of not having participated in the incidents on Aba Island. Isn't he the one who supported and stood alongside the regime? He accuses the people of not taking part in the September 1975 upheaval. Isn't he the first person who deserted that movement? He accuses people of not having taken part in the July 1976 upheaval. Isn't he the first person who caused it to fail? He accuses people of not having taken part in the

April 1985 upheaval. Isn't he the person who made a truce with Numayri yesterday, playing polo with him, playing with the person who killed the Partisans by the hundreds? Al-Sadiq plays polo with the person who buried Partisans alive, playing with him in this manner, openly. What do you think is going on in secret?

As for Numayri's arrest of al-Sadiq, we have one more than one question. He came out of prison and did not talk about any issue of concern to the Partisans or the Sudan. He came out of prison and Numayri allowed him to talk in a parade about his deep reflection in prison. Now, after the April revolution, he wants to talk about the Partisans!

We ourselves were talking, and you know that. Our opinion was obvious, and our work outside the country was obvious. The Partisans who went abroad are being trained in the use of weapons, and we worked together to mobilize to bring the regime down. The April revolution came and brought in new blood.

As the saying goes, "People who live in glass houses should not throw stones." Al-Sadiq and others are not in a position which allows them to accuse others; they are responsible for what happened to the house of al-Mahdi, the entity of the Partisans and the Sudan. They are responsible for that and we hold them to account. We have withdrawn our confidence from them. No one is the trustee of the Sudanese or the future of the Sudan. Anyone who says that we are heirs we believe to be the heirs themselves, not us. We have not asked for the imamate, for leadership or for rule. However, we stand most resolutely and firmly on the side of the causes of the Partisans, the country, faithfulness to the oath and path of Imam al-Hadi, commitment to allegiance to him, the effort to reform the nation with our brothers the good Sudanese nationalists, the effort to consult to solve all the issues of the identity of the Partisans, and opposition to those who pledged their loyalty to Numayri.

AL-DUSTUR: Al-Sadiq al-Mahdi did not make the pledge, but Ahmad al-Mahdi did; isn't that so?

Wali-al-Din: Ahmad al-Mahdi pledged loyalty to al-Numayri, and al-Sadiq made a pledge by oath before al-Numayri became an imam. An oath is a pledge, and a pledge is an oath; they both swore the oath and stood alongside the May [regime] one way or another until April came. As regards al-Sadiq, he was on the side of May, as was Ahmad. The people who stood against May did not leave prison except to be hanged, tried, tortured or reviled. The others left prison and were allowed to speak in the mosques and go about all areas of the Sudan. They were allowed to go out in the lines of al-Mazika. Why should they be allowed all this? In exchange for what? We wonder; it is not possible that there was nothing in exchange for this. What happened to the others in the form of torture, executions and trials happened to whoever was truly in opposition to May, and this is obvious.

AL-DUSTUR: The media in the Sudan describe the establishment of three parties called the al-Ummah Party, one under your leadership, the second under al-Sadiq's leadership and the third under Ahmad's leadership, as a sort of competition. They also describe it as a schism. What is your opinion about this? Are there negative features in this competition or schism?



Wali-al-Din: All these bodies say that they are genuine, but everyone knows that the genuine al-Ummah Party is the party that stands alongside Imam al-Hadi and is committed to the pledge to him. We are now along the imam's road and are committed to the pledge to him. Therefore we are the people who represent the goals on whose behalf the imam struggled and fought, contrary to the others who cooperated with the regime and pledged loyalty to it, and consequently betrayed the entity of the Partisans and the nation.

As to the second part of the question, we now find that some people are occupying the Ansar's mosques in illegal ways; for instance, there is al-Sadiq al-Mahdi's occupation of the al-Mahdi's house in Omdurman. They thereby want strife and want us to quarrel with them, and to have people's blood shed as a result, and this will be reflected on the situation in general. That is something we do not accept and are not satisfied with, and we have withdrawn from the al-Mahdi's house at the present time in order to bring in new blood. We will not respond to their appeal for strife, for the sake of the Ansar's interests, their reputation, the interests of the country and the present situation within it. We believe in the principle of democracy and refuse to let the mosques be occupied and have people deprived of the right of expression within them. Everyone has the right to say what he considers proper and what is in his mind, particularly in Imam al-Mahdi's home, because Imam al-Mahdi's home was not something inherited -- it is the home of all the Ansar and a home for all the Sudanese, by Imam 'Abd-al-Rahman al-Mahdi's bequest, and no one inside or outside the al-Mahdi's home has the right to occupy the house and prevent others from expressing their opinion from the podium in it. That is to be considered first of all illegal conduct and second of all undemocratic conduct. Indeed, it is arbitrary and strife-provoking. Therefore we have sought arbitration from the officials in authority to resolve the problem by lawful means, because it cannot continue like this.

We have not withdrawn from the al-Mahdi's house in the sense that we have abandoned it; rather, we have withdrawn in order to avoid strife, because the goal behind the other party's conduct is provocation and strife. That is conduct which took place several times before, between al-Sadiq's group and Ahmad's group, in the Ansar's mosques, and as a result of that Ansar's blood was shed. Al-Sadiq and Ahmad are safe, while the Partisans fight, hit one another and shed one another's blood. This is something we do not accept. Therefore, we want the problem to be solved democratically, according to the law, because this podium is the podium of all the Sudanese and the home of al-Mahdi, which is above everything.

While al-Sadiq stated that we want to have an inheritance, we have not demanded an inheritance or legacy. By what right then did he occupy the podiums? We did not usurp the al-Mahdi's home, because all Ansar have the right to it. Al-Sadiq does not apply the refusal to claim an inheritance that he is pretending to, and his conduct is the conduct of an heir to the al-Mahdi's home, which is not a legacy of the al-Mahdi family. We are all the al-Mahdi's children. By what right does he occupy it and by what right was he sent by means of a committee Numayri had previously appointed to write to us that it was preventing us from praying and speaking in the al-Mahdi's house, and claiming that we had deviated, in its words, from the



faith and had smashed the rod of obedience? What does this mean? What this means is provocation and strife. Therefore we demand that the imams Numayri appointed be dismissed as part of the liquidation of the regime that has been eliminated, so that the exercise of democracy will be sound.

Whoever prevents people from performing religious rituals will deprive people of political things. That is what we fought Ja'far Numayri over, the arbitrary conduct which all the Sudanese people have rejected.

AL-DUSTUR: What do you recommend for solving this problem?

Wali-al-Din: We consider that it should be solved democratically as soon as possible so that we can avoid strife in the future, that the home of al-Mahdi should be a general podium for all the Partisans, that there should be an agreement for arranging the use of the podium and this task should be assigned to a committee to which anyone who wants to use the podium will present himself, specifying the day he wants. This committee will be representative of all Partisans of various parties. This is the democratic basis; none of us will prevent the other from giving his opinion, specifically in the home of Imam al-Mahdi, because that is the parliament of the Partisans, and a person who occupies a miniature parliament arbitrarily and tomorrow, if he finds a way, will occupy the parliament of the whole country.

We must arbitrate among ourselves regarding this sort of conduct, because such conduct is in our name and involves a distortion of our reputation. It entails strife which is reflected in the democratic situation which we are proud of now in the Sudan, and if the strife becomes widespread the Sudan will be exposed to destruction by those who are lying in wait to attack it.

AL-DUSTUR: Why did you add the title "Partisans of Imam al-Hadi" to your party's name?

Wali-al-Din: We call our party the Partisans of the Imam al-Hadi in order to distinguish ourselves from the bodies which have violated the pledge and betrayed the oath.

AL-DUSTUR: It is well known that you have alliances with other political forces. What are the most prominent of these alliances? What role can you play now, in accordance with the facts of the new situation in the Sudan?

Wali-al-Din: The political alliances that exist now are founded on the bases on which they were established in the course of opposition to the regime that has been eliminated; these are our alliances with the Democratic Unionist Party and the Arab Socialist Ba'th Party. The objective of these was to eliminate the regime which has been liquidated and after that to rid the Sudan of the depths it had reached.

The Sudan has benefitted and is benefitting from these alliances because they have brought people together and caused them to reach mutual understanding. We hope this will continue so that it will be reflected in all areas and consequently will be for the good of the current democratic

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situation and the Sudan in general. These alliances were something new in the Sudan and were an achievement for the Sudanese people, since various ideas and programs are existing in harmony on behalf of the Sudan's interests.

AL-DUSTUR: Does this mean that the experience of these alliances is capable of enduring, that is, that they harbor the ingredients of survival within themselves?

Wali-al-Din: Yes, because the circumstances which have led to rapprochement and cooperation among the people have created a kind of cooperation which is capable of enduring. The relationships which cooperation has created are firm and praiseworthy, arising from the premise of the feeling of national responsibility, which has created strong bridges among us that cannot be shaken easily, in spite of many attempts on some people's part to tear people apart from one another, which have failed. This failure underlines the solidity of the relationship and mutual trust between ourselves and our allies and consequently underlines the continuing nature of cooperation among us in the future, God willing.

AL-DUSTUR: What role must the political forces and the people's forces in general in the Sudan play to preserve the democratic achievements?

Wali-al-Din: This is a collective responsibility, and all the parties and unions, and even individuals, must bear the responsibility of preserving them. If any entity tries to eliminate the people's achievements, the people must all join forces to make this attempt fail. We had enough after 6 years of 'Abbud, and then we had enough after 16 years of Numayri, which were a greater lesson. If we fail to preserve the democratic achievements this time, we may get another person who may last 30 years. The people must appreciate their responsibility and preserve their achievements.

Al-Sadiq al-Mahdi

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[Interview with al-Sadiq al-Mahdi by Jamal Isma'il; in Omdurman, date not specified]

[Text] The issues about which discussion and debate are revolving now in the Sudan are diverse and ramified. All the elements active on the political stage, in the form of parties, union groupings and civilian and military organizations, are taking part in them. The issues are numerous, include political and economic issues inside the country and extend to foreign policy.

The common denominator which seems to be obvious in this democratic dialogue which is going on passionately is that everyone wants the Sudan of today to transcend the tragedies of yesterday and advance to tomorrow on clear foundations over which everyone will be agreed. It was in this context that AL-DUSTUR's meeting with Mr al-Sadiq al-Mahdi, leader of the new nationalist al-Ummah party, took place. This conversation was held at his vacation home in Omdurman.

AL-DUSTUR: What is your evaluation of the period of transitional rule which has ended?

Al-Sadiq al-Mahdi: As you know, brother, this is a period of coalition, in the sense that the forces joined within it are forces which formed a coalition to get rid of Ja'far Numayri. By its nature, it is a stage in which there are many middle-of-the-road solutions and solutions which have been reached through persuasion. Therefore it is a period in which by its nature there is room for dialogue and give and take. However, in spite of this basis which is rife with participants, it has achieved much.

First, it has achieved transition from the regime of individual arbitration to a regime in which there is a guarantee of the highest level of freedoms that exists in the Arab nation and the Islamic world in general. This is certainly a great leap forward.

Second, the regime still maintains a very good relationship between civilian and military forces.

Third, it is clear that the present regime is working to implant the elements of democratic practice, from regulations for parties to regulations for unions and the press. These are all big political achievements. In the economic context, it is obvious that substantial efforts have been made to stop the economic deterioration which had occurred under the regime which has been eliminated. In the context of foreign policy, it is obvious that good neighborliness has also arisen with many countries bordering on us. Therefore we say that, taking the nature of the current transitional period into account, what has been achieved during the past 3 months is substantial.

AL-DUSTUR: However, there is talk about a feeling of discontent among the people. The talk sometimes reaches the point of the resumption of strikes or disobedience.

Al-Sadiq al-Mahdi: In my opinion this is going to excess in the area of criticizing the current performance. In the holiday speech, I directed criticism at seven points, but this constituted a form of advice and evaluation, not confrontation. I believe that anyone who now talks about striking is going to excess, because the current criticisms can be attributed to ill will and not to measures opposed to current feelings of nationalism but rather to natural difficulties which can be attributed to the absence of adequate expertise among certain officials and so forth. Therefore, although talk is legitimate, grumbling is legitimate and criticism is legitimate, confrontation in the form of strikes or the like is not legitimate and indeed is tantamount to destructive thinking at this stage.

AL-DUSTUR: What is your notion of ways for eliminating the September laws?

Al-Sadiq al-Mahdi: The body responsible for legislation is abrogating them because laws are abrogated when an alternative to them is created which takes their place. If you want, I will give you a memorandum which we have prepared, which shows what the laws to be abrogated are and what the alternatives are.

(Mr al-Sadiq al-Mahdi presented me with a memorandum dated 15 June 1985 requesting the abrogation of six laws: the penal code of September 1983, the

criminal procedures law of September 1983, the law on the principles of verdicts of September 1983, The law on civil transactions issued in February 1984, the law on the tithe and taxes for 1984 and the law on the judiciary authority for the Islamic lunar year 1405. The memorandum asserted that these laws "have distorted Islamic law and have grievously harmed justice." It spelled out the reasons why and requested that they be abrogated at the same time as the issuance of a group of alternative provisions which would fill the legal vacuum resulting from their abrogation.)

AL-DUSTUR: Regarding the trials, do you consider that they should cover people who took part or should restrict themselves to people who acted corruptly?

Al-Sadiq al-Mahdi: We consider that there are six issues which call for accountability. The first is the violation of the constitution in 1969. The second comprises people who tortured prisoners. The third issue comprises people who killed well known people under imprisonment; this happened in 1970. The fourth issue is fiscal corruption and people who stole the people's livelihood in various ways. The fifth issue comprises people who committed acts of national treason, such as the issue of the Falasha. The sixth issue comprises people who manipulated the religion, such as the people who can be proved to have propagated the false pledge of allegiance considering Ja'far Numayri the imam of the faith.

AL-DUSTUR: Could you explain to us your declaration of support for the new draft proposed constitution for the transitional period, although you signed the National Grouping charter, the charter which stipulates reliance on the 1956 constitution amended in 1964?

Al-Sadiq al-Mahdi: The 1956 constitution amended in 1964 is deficient in grasping the constitutional state of affairs in the Sudan. It does not include autonomous rule in the south and does not include regional government in the republic of the Sudan.

In addition, the powers of the Provisional Military Council are of course broader than those of the Sovereignty Council, which is the Sovereign Council of the 1956 constitution amended in 1964. Therefore this constitution requires review. With respect to this review, and provisions from the legislative point of view specifically, we have presented a memorandum individually, not in conjunction with anyone, stating that we consider that legislation should be in the hands of the military council but that this should assign it to the civilian council of ministers, for a simple reason, which is that there are two ways of resolving any issue under dispute. In the relevant issue of dispute cited, if a dispute occurs, that could result in paralysis which could lead to a constitutional vacuum. There are two ways to prevent the emergence of a legislative vacuum, either a body which has power or a body which votes by a majority, because we do not have an elected body; that is, if a dispute occurs between the Council of Ministers and the Provisional Council, there is no electoral base by virtue of which this dispute can be settled. The second base remains available to us; this is the base of force. This force is the army. We have requested that this force side with us during the transitional period, as long as this force is used on behalf



of the people, as long as it lies within the existing political equations and as long as it is temporary. Let it be the basis for preventing the emergence of a legislative vacuum, because there is no other approach. If we stipulate an electoral approach, no electoral institution exists at present to holding a vote and resolve any legislative dispute. We must not permit a gap to arise which will lead to the emergence of a legislative vacuum.

AL-DUSTUR: What in your opinion is the role of the National Grouping during the transitional stage?

Al-Sadiq al-Mahdi: The grouping is a channel for participation which now exists and has imposed its existence through revolutionary legitimacy, by virtue of its participation in the Rajab revolution. This channel must first of all express itself by constituting part of a trilateral equation (the army, the parties and the grouping), secondly, realize that it itself in a union context is limited and does not represent the entire union presence that exists but rather a union vanguard which has taken part in the revolution, and, thirdly, realize that its role is restricted to the transition period and does not go beyond it, since the people who wish for political action must enlist in party political activity through new parties or old ones, following the transition period, and the unions will continue their role as unions, participating in national policy and not venturing into party politics. This is my conception.

AL-DUSTUR: What about the appeal bearing on the reapportionment of electoral districts in a manner which will guarantee that representation is given to the new forces which rose to prominence and played their part in destroying the regime, as became clearly evident in the Rajab upheaval?

Al-Sadiq al-Mahdi: We have raised this idea and we believe that it is necessary to create a formula to provide reserved districts in order to give concrete form to social forces. However, people who run as candidates in the framework of these districts should run on the basis of political programs, for instance in the district which is reserved for doctors, though doctors who present themselves as candidates will not run as doctors but as people with a specific political program. In other words: reserved districts for the modern social forces to increase their representation in the legislative system and give them a greater opportunity for representation in the legislative body.

AL-DUSTUR: Discussion is taking place today on a likely law to regulate parties. What bases and rules will in your view in effect make room for the freedom to form such parties and guarantee their effective participation in political activity? Why this distress which some people are displaying over the large number of parties?

Al-Sadiq al-Mahdi: The proliferation of parties now is an extremely superficial phenomenon, not a fundamental one. The strange thing in my opinion is that there is in essence more rapprochement among Sudanese political currents than fragmentation and rifts. Concerning the essence of things and real ideological matters, based on fundamental disputes, there is a rapprochement among political currents. The fragmentation that exists is



extremely superficial and not a bad thing because it is part of the phenomenon of the protest against deprivation which existed in Ja'far Numayri's era. We have submitted a draft for regulating parties on a basis where each party would have a registered constitution and program and parties would be registered and present their sources of income. It would be established that they are democratic and do not call for violence. It would be established that they do not call for foreign connections and are not branches of foreign organizations, and it would be established that they do not call for the fragmentation of the Sudan on racial grounds. It would be established that they have popular support or at least a minimum of popular support, because these are channels for the people's movement and they must be at a specific level. When companies are established, for instance, it is required that the companies have a certain capital in order to enter into the area of finance and have responsibility. In addition, you must have a basis for entering into the field of political action and being a channel for people's activity. We believe that the law on the regulation of parties must contain all these elements, provided that there be a neutral national authority which will oversee this subject and confirm that the parties are committed to these bases, so that we will not introduce chaos into our exercise of democracy.

AL-DUSTUR: I have noticed that a new expression, "big parties," has become part of the political vocabulary. Is what is meant by this expression the old parties?

Al-Sadiq al-Mahdi: Perhaps the reason for the use of this expression is the proliferation and large number of parties. Therefore, people have tried to categorize parties as large, marginal, small, extremist and so forth.

AL-DUSTUR: What are your observations about the Islamic Front?

Al-Sadiq al-Mahdi: These labels for the Moslem Brothers are nothing more than new labels for them. Everytime one moves on from a stage, the Moslem Brothers "change names rather than acts."

AL-DUSTUR: In the light of the reality of the prevalent social and economic conditions in the Sudan, what is your opinion regarding the people who consider that justice must take precedence over Islamic penalties?

Al-Sadiq al-Mahdi: Yes, exactly, in general, in all circumstances, the Islamic system must take precedence over Islamic penalties. The prophet, on whom be God's prayers and peace, established an Islamic system in Medinah then applied the penalties. Every intelligent person builds a house then looks for a "key" for it. It is not reasonable that you should buy "keys" with your entire budget when you do not have a house.

AL-DUSTUR: When talking about a peaceful solution to the problem of the south, you say "We must hasten to determine our peaceful solution in accordance with two points, a political point in which friends and foes there will sense that there is an indisputable strong determination to solve the problem in a just way, and a combative point in which everyone there will sense that our armed forces' spirit is high and that its combat competence

is superb." What is meant by "foe?" What is meant by your reference to the armed forces?

Al-Sadiq al-Mahdi: In brief, no one will negotiate with you if he believes that he can achieve his objectives through violence. Any party which has aspirations in the Sudan must realize that the political system is determined to defend its security, and that can be done only when there is a high level of fighting competence.

The political point means that we must establish that we absolutely, as a people and as political leaders, have the determination to eliminate all the southern grievances, that our political system calls for homogeneity, at least in the context of the solution to the problem of the south, that agreement has been reached by the Military Council, the Provisional Council, the grouping, the parties and everyone to that, and that there is no room for reckless talk. This agreement can achieve political credibility if combat credibility is present. In this context, it is expected that all parties which have the ambition of achieving illegitimate goals through force will become convinced of the need to accept legitimate means. However, if these parties consider that the political situation has deteriorated and the combat situation is weak, they might reach the conclusion that they can, by threats and intimidation, inherit everything.

AL-DUSTUR: What weight do foreign parties, in particular Libya and Ethiopia, have?

Al-Sadiq al-Mahdi: They have great weight, on grounds that they have provided financing, provided arms and in geographic terms provided shelter for the forces that exist now. However, that is not absolutely everything. We believe that what is necessary is to win these parties over on behalf of a peaceful solution, but, in spite of that, we must take into account that there is a Sudanese element, there are southern grievances which must also be addressed.

AL-DUSTUR: If John Garang does not respond to the cease fire appeal and insists on bearing arms, and the date comes for holding elections at the end of the transitional period, what will the situation be? Will elections take place in the north and not the south, or what?

Al-Sadiq al-Mahdi: Mr John Garang has allowed himself to go to excess as a result of al-Numayri and mistakes on al-Numayri's part against the south. He is the factor determining whether the development projects will continue or not. Now I can reiterate that he is the factor determining whether the elections will take place or not. I believe that what is necessary is that he not be permitted to do this, on grounds that the political system in the Sudan should be homogenous, as I previously said, in responding to the elimination of the southern grievances and also homogeneous with respect to decisive stands regarding security, and it is trying as far as possible to arrive at peaceful solutions with the southern forces on this basis. However, if it is established, after all this effort, that there is no way of achieving any response and that Mr Garang wants to dictate what he wants to the country, I believe that we will then have another policy, which we have thought about. Each condition has its own situation.

AL-DUSTUR: A policy for resolving the situation?

Al-Sadiq al-Mahdi: Yes.

AL-DUSTUR: After the south, the south of the Sudan, comes the question about the north, the north of the valley, Egypt. Talk has now been initiated on reviewing the "common issues" and structures for codifying the relationship between the two countries. How do you view this relationship? What is your evaluation of the attempts to codify it?

Al-Sadiq al-Mahdi: There is a basis for a special relationship between the Sudan and Egypt. The way in which it was codified in the Numayri era was wrong. Integration was its name, though it had no label. The joint defense agreement was in reality a security cover for Numayri's regime. We say that a new situation is necessary which will embody the special relationship between the Sudan and Egypt and will satisfy common interests through political and economic integration, but on proper, not illusory, bases. As regards the disputes which have appeared regarding Camp David and these things, it is necessary to create a formula in which the Sudan's position of rejection of Camp David will be apparent, and here the Sudan will play a role in normalizing Egypt's position with the Arab world and the Arab countries by an objective shift from Camp David to post Camp David.

AL-DUSTUR: This leads us to a question on your opinion regarding the settlement initiatives which have been propounded for the Middle East crisis.

Al-Sadiq al-Mahdi: In my opinion, Camp David does not represent a peaceful solution or a context for a peaceful solution. Camp David is actually a surrender to Israeli terms. It must be understood by us as an Arab nation that as long as we do not have economic, political and military credibility, the other party, that is, Israel, will not give us our rights. We would rather get our rights peacefully, but we will not be able to do so unless Israel considers that we are stronger, so that if we despair of a peaceful solution we will be able to effect a resolution. However, if Israel considers that we cannot do anything, and it is basically an aggressive, expansionist entity, it will not give us anything.

AL-DUSTUR: What are the means for achieving Arab credibility?

Al-Sadiq al-Mahdi: First it is necessary to liberate the people's will in the Arab nation. This is a basic rule for eliminating the contradiction between the Arab regimes and their peoples. It is necessary to agree over a unified Arab strategy vis-a-vis the main issues present on the scene, so that the contradictions which exist now can be eliminated. It is necessary to abandon all subservience to international camps, and for the Arab countries to deal with the major international powers on the basis of an independent position, because these major forces will respect us and fear our position only if they feel that we have intrinsic powers and do not rely on them for our survival itself, because the person you rely on will not appreciate you and will not give weight to your position.

AL-DUSTUR: The last question: You are calling for the restoration of relations with Iran. When you mention Iran, its position in the Gulf war is the

first thing that comes to people's minds. It is well known that relations among countries are channels for facilitating and realizing mutual understanding and other noble objectives for the sake of the stability and welfare of peoples. Diplomatic relations exist between Iran and a number of neighboring countries, but these relations have not succeeded in convincing Iran to turn toward peace in this destructive war. I am not talking about its relations with Libya and Syria, for example. The question now is, what can the Sudan do in restoring its relations with Iran?

Al-Sadiq al-Mahdi: First of all, when I talked about the resumption of relations with Iran I talked only in a very limited framework, which is that they were severed in an emotional manner by Ja'far Numayri, and relations among countries ought not to be subject to a sort of personal temperament.

Regardless of what is going on in Iran, the basis for the resumption of relations should be that they were severed in the wrong way. As regards the war, I believe that this is a destructive and oppressive war and its continuation is a threat to Islam and the Moslems; therefore, it must be stopped, and I believe that this is possible, especially since we can proceed from this without much of the touchy feeling which might exist with respect to our brothers in the Gulf or even Syria and Libya as an obvious partiality has occurred in their position. We believe that it is necessary for us to play a just role in finding a formula for a peaceful solution. We have recommended some points in two areas, the charter declaration the al-Ummah party issued when it was formed and the context of a declaration on foreign policy prepared by the party which I will present. In the two areas, we have presented the bases for a peaceful solution to the Gulf war, and I believe that the Islamic and Arab leaders must give maximum priority to stopping the Gulf war, because it now is destructive of us as peoples and greatly exploited against us. Therefore, it is necessary to stop it. I want the Sudan to play a great role in this regard.

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SUDAN

DATA ON SUDANESE PEOPLE'S LIBERATION ARMY LEADERS

London AFRICA CONFIDENTIAL in English 3 Jul 85 p 8

[Text]

The leadership of the *Sudan People's Liberation Army* (SPLA) remains something of a mystery partly because of its almost total lack of international exposure. The SPLA military commander and chairman of the movement's executive committee, Col. **John Garang** has not been outside Sudan or **Ethiopia** since the SPLA was formed nearly two years ago. Last year the then chairman of the political and foreign affairs committee, **Joseph Oduho**, spent some time in western Europe and the **United States**. But since then he has been relegated into obscurity in Addis Ababa. Contact between the SPLA and the outside world is now more or less confined to the SPLA's daily radio bulletins and the occasional visit to Addis Ababa by Sudanese individuals.

Though Garang dominates decision-making on most matters military and political, there is a working five-man executive committee composed of Garang, Lt-Col. **Carabino** (deputy commander), Lt-Col. **William Nyuon**, Joseph Oduho (in theory) and **Martin Majer**. Beneath that, but with no real power, is a large central committee.

The key figure on the political side is **Riak Machar**, who is effectively personal assistant to Garang. A Nuer from the Bor area, he was educated at Khartoum University as an engineer, where he gained a reputation as a bright, articulate student. Later he went to **Britain** to take a PhD in production engineering at *Bradford University*. In mid-1984, his doctorate successfully completed, he joined the SPLA in Addis Ababa, where he quickly rose to become Garang's most influential adviser. He also reportedly has considerable influence over the content of the SPLA radio programmes. Contrary to suggestions from some quarters, he never showed enthusiasm for political dogma - indeed his background is refreshingly apolitical.

In charge of the important information department, which runs the radio station, is **Atem Jak Atem**, a journalist and former editor of the respected *Southern Sudan Magazine*. He was regarded as a capable administrator and a competent journalist. Beneath him are **George Makur Benjamin**, **Joseph Kuol**, **Nyal Deng Nyul** and **Dhol Achuil Aleo**. ●

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ISRAEL

## ECONOMIC TIES WITH CHINA EXAMINED

Tel Aviv KOTERET RASHIT in Hebrew 26 Jun 85 pp 18-20

[Article by Elazar Levin: "Israel Goes Yellow"]

[Text] It's true that Ata doesn't manufacture work clothes for them, but the Chinese Revolution has reached Israel: local businessmen go back and forth with lucrative contracts in their hands; from the cultivation of cotton to airfields--the People's Republic of China is buying. "Koteret Rashit" publicizes for the first time full details of the development of economic ties between the two states.

Around 2 weeks ago those at the Asian desk at the Foreign Ministry in Jerusalem were gripped by excitement. They received a copy of a telegram which was sent on 10 June by the government of one of the Chinese provinces (cantons) to an embassy of this country in a well-known Western capital. Included in the telegram was a government directive to give entry permits to China for a 2 year period to two Israeli scientists who are agricultural experts. This is the first time that Israelis have directly received visas to China. The scientists' names were written in the telegram in English, not Chinese. The Foreign Ministry personnel view the telegram as an important breakthrough in the economic and political ties between Israel and the People's Republic of China.

The economic ties between Israel and the People's Republic of China have lately developed quite quickly: practically every week there's a new event. Six Israeli businessmen are in China at this very moment for business negotiations.

In order to understand the latest dramatic developments one must pay attention to the general background. Around 2 years ago the Chinese Government decided on a new revolutionary economic policy whose goal was to advance the huge country within 10 years to an economic and industrial level which would be higher than that of the Soviet Union. The government leaders understood that they would have to overcome the lag created during Mao's Cultural Revolution when they burned scientific and economic books, wiped out any memory of private initiative and refused to buy know-how

from the capitalist West. The prime minister and his assistants decided that the only way to attempt to wipe out the lag is to buy as quickly as possible know-how, equipment, plants and installations from any Western country which is willing to sell, without checking into ideologies. The Chinese Government also decided to give substantial independence in matters concerning economic development to the 29 provincial governments after it understood that it is impossible to dictate by central leadership the economic development of such a large country.

In every province government economic companies have been established which deal with various aspects of economic development. The governments and the companies propose to Western entrepreneurs joint projects in which the investments and the profits are divided equally between the government company and the entrepreneur. In cases where a large investment is needed, the Chinese agree to decrease their share to 20 percent which results in Western companies having control over the large projects, with all that that entails.

The Chinese have no foreign currency so they came up with the following formula: to each deal they will contribute investments in the local currency, renminbi (its worth is 2.8 per dollar), meaning that they will cover the wages of the workers and the cost of acquiring land, erecting buildings and supplying water and electricity (where they are available). The investors from abroad will bring in as investments foreign currency either in the form of cash or its equivalent, including heavy equipment, know-how and planning.

The new policy has already caused a revolution in China. From all ends of the world stream thousands of entrepreneurs who have discovered the great economic opportunity. The entrepreneurs are also drawn because of the easy conditions: the wages in China are the lowest in the world--an industrial worker earns around \$30 per month and a senior manager earns around \$120 per month; there are practically unlimited areas of land available. The Chinese yearn to learn and acquire know-how and they are making an effort to make things easier for investors.

A short while ago German Chancellor Helmut Kohn visited China accompanied by 11 of the leaders of German industry. They returned to their factories with contracts for billions of dollars in their pockets. Heinrich Weis, chairman of the board of Solman-Siemag, for example, signed a contract worth \$400 million to erect an industrial complex.

The Chinese Government has delineated 19 special economic areas within which are given special terms, something similar to what we know as development zones. Special bonuses are given to anyone who will erect a factory, pave a road, or plant plants on the undeveloped island of Hainan. There are also intentions to proclaim five coastal cities as free-trade zones similar to the Hong Kong model. All these investments are managed in the American style; for each company a shareholding company is set up with a chairman and general manager. The basic condition is that every contract states explicitly that after 15 to 20 years the ownership of the project

will be transferred to the Chinese Government. The deal is worthwhile for the entrepreneur if during this period he will draw continuous profits from the project.

During the past few months the foreign media publicized information according to which the millionaire Saul Eisenberg is involved in the Israeli trade with China. When during a parade in Peking there were displayed tanks armed with a new cannon, the British media claimed that the cannon was from Israel.

Israel tries to bite into the civilian pie, too. The principal person who aids in this attempt is a 52-year old American Jew, David C. Bucksbaum, a famous lawyer, born in New York, who served as a lecturer in jurisprudence at New York University and Harvard. Around 15 years ago Bucksbaum decided that the future was to be found in the People's Republic of China. He travelled there carrying a Canadian passport--this was before the thaw in relations during Nixon's days--visited the Peking Zoo and was surprised to see there a sign saying: "We should love all human beings, including Americans." This was the headline of the first article that he wrote about China. Since then he's written tens of articles and studies on Chinese topics, both on the legal and economic aspects of ties with that country. Gradually, his ties with that country were strengthened. Six years ago he went to live in China in the city of Guangdong which is known in the West as Canton. Here he lives with his family and conducts wide-ranging deals with China and with foreign investors. His main office is on the fifth floor of the "China Hotel" in Guangdong, and he has branches in Peking, Shanghai and Hong Kong. Nowadays Bucksbaum is considered to be one of the greatest Western experts on Chinese commercial law. He even helped the Chinese Government formulate and enact the patent law which went into effect on April 1st and now protects Western patents from being copied in China without payment. It is estimated that over the years Bucksbaum was involved in roughly 500 deals between government companies and Western entrepreneurs. In some of the cases he was satisfied with "only" formulating the contract. In other cases he prepared suggestions for projects and sent them to various potential investors in other countries, invited them to visit, hosted them, caused them to meet government officials and helped arrange contracts.

Who else does Business in China

Dr Moshe Prague is not the only Israeli who does Business with China and paves the way for projects. He concentrates on civilian economic activity, but there are also other areas.

--Saul Eisenberg and his companies have been active for some time--according to unofficial information--in trade with China, including Israeli trade.

--Avi Dudai, in the past the assistant of Minister Ariel Sharon (when he was agriculture minister) and now a businessman, also tries to advance business with China. Dudai led negotiations in the past to buy the construction company "Nofim," but the contacts ended unsuccessfully. Dudai, together with partners, engages in various export deals.

--Avigdor (Yanush) Ben-Gal, formerly commander of the Northern Command and not a businessman, is also taking an interest in the topic. He denies that he has dealings with China.

#### Over 70 Projects

The first ties between Bucksbaum and Dr Moshe Prague, joint general manager of Menorah Insurance Co, were formed in January 1984. Prague is considered Israel's number one life insurance expert. He lectures and writes articles on this topic in newspapers and during the past year was guest of honor at the world conference of life insurance agents which took place in the United States. Just recently Prague was appointed as one of the nine members of the council which advises the insurance sector, which works alongside the treasury minister. The acquaintance between Prague and Bucksbaum was done indirectly, by means of an intermediary, without the two meeting face to face. The intermediary said approximately the following to Bucksbaum: Why don't you also offer some projects to Israel? Try Prague--he has good connections with many companies.

A short while later Prague received by facsimile suggestions for projects. One of them suggested a contract to sell know-how for raising strawberries in an area of 400,000 dunams. The other one suggested selling the know-how to raise cotton in fields with an area of 800,000 dunams. Prague was the connection between the proponents and the Israeli experts. The Israelis flew to China and arranged a feasibility study; at its conclusion they signed a letter of intent. At the second stage they signed a preliminary contract, and afterwards a final contract. In each contract like this the Israeli company binds itself to invest approximately \$5 million. Most of the investment is in equipment and know-how, very little is in cash. The deals are approved by the Bank of Israel.

With the signing of the first contracts the material began flowing at a dizzying pace. Until today there have arrived in Israel suggestions for 70 projects in various areas: solar energy, advanced technology, equipment, machines, robotics, road paving, building of residential neighborhoods and the sale of know-how concerning various services. The impression is that the Chinese are hungry for know-how, ideas and investments. They are prepared to buy anything, with the appropriate economic terms. I saw one project suggestion like this, arranged by Bucksbaum jointly with Chinese experts: 21 pages which detail everything beginning with the project's scope and ending with the scope of investments, it had a timetable and estimated capital gains. The material was passed from China to Israel by means of a facsimile machine. During Passover Bucksbaum visited Israel, met Prague and ordered some more projects.

All 70 proposals are in various stages of investigation. Detailed below are a number of contracts--which have already been signed--between Israel and government companies:

--Two contracts were signed to erect multi-storied hotels, each of them at an investment of \$11 million. One hotel will be erected in Guangdong



and the other in the province of Hunan. Each one is a four star hotel with around 400 rooms. The Israeli entrepreneurs will invest 50 percent and receive a corresponding share of the profits. Management contracts were signed parallel to the building contracts, in which the Israeli companies bind themselves to manage the hotels for 17 years.

--Israeli companies are partners in the huge project of planning and building a large civilian airfield in southern China, not far from Hong Kong. The overall investment is \$400 million. The proposal for the project reached Israel, but could undertake the whole project, a partnership was established, with the main investment coming from Western companies. An Israeli planning office signed a contract for planning the airfield, and another company received the contract for managing the construction project. Israeli engineers and architects will leave soon for China, and some of them will live there for a prolonged period of time to supervise the works while earning around \$5,000 per month. It is estimated that the contract will produce an income of \$10-15 million for the Israeli companies. The airport will serve as a central base for one of the seven Chinese airlines, after the monopolistic national company was split last year into subsidiary companies so as to create competition and improve the service.

--A contract was signed to erect a factory in southern China to produce chemicals for agriculture. The amount of money involved has not been disclosed.

--A contract has been signed lately for another project, the sale to a Chinese government company of know-how for the construction of a factory for manufacturing cotton clothes which will be based on local cotton.

--A well-known Israeli company signed a contract to sell the know-how for processing fish, including partnership in erecting a factory in this sector. It has been disclosed that Atlantic is not the company that is meant.

--The advertising company of Hayim Peled signed an agreement with a Chinese government company for a joint venture in advertising, mainly of projects that Israeli entrepreneurs are involved in. The company will shortly open up an office in Peking.

The names of the companies that signed contracts are not being publicized at this stage. In some cases it involves publicly held companies whose shares are traded on the stock exchange. These companies must first seek final clarification of all details of the agreements and contracts and only afterwards can they publicize an official announcement. There are some companies who fear that publicity will result in a severing of ties: there is a feeling--justifiably or not--that in the absence of diplomatic relations between the two countries, the Chinese prefer that Israel should be a "common law wife" and not a "married woman."

#### The Need for Contacts

Right now two Israeli economic delegations are in China. One of them, with four members, is checking the proposal of the Fujian Government to



pave a 1,500 km road; the other one, with two members, is checking a proposal which another local government presented for an Israeli investment in a joint project in the cotton sector: growing and processing cotton while improving the local strains and finding an export market. Three more economic delegations will leave shortly for China: a group of textile manufacturers will check up on a proposal to erect a plant, Israeli and European entrepreneurs will jointly check up on a proposal to erect more hotels and European industrialists will investigate a plan to erect a huge factory for producing canned meat.

The contacts with European industrialists are arranged in any case where Israel has nothing to offer. When Dr Prague receives the project which has been suggested to him by Bucksbaum and discovers that it involves a mine or steelworks, for example, he turns to foreign entities. Some of the contacts were formed as a result of his relationships with large European companies within the framework of the insurance world. In this manner projects which Bucksbaum proposed were passed to entrepreneurs and industrialists in France, Sweden, Britain and Germany. The demand is great, and for every project there are four or five who pounce on it. As much as possible Prague and Bucksbaum try to have Israeli companies involved in the project, even when its execution is given to a European company.

It is not hard to arrive at Hong Kong by flights that go via European countries. The problem begins in Hong Kong. Any foreigner, not just Israelis, who want to visit China, must request a permit and wait a week to receive it. The waste of a week seems like an eternity to a preoccupied businessman. Bucksbaum steps forward to help the Israelis. His wide range of contacts assures that each Israeli receives a visa the next day. The preliminary coordination is done by way of Dr Prague's Tel Aviv office, and the telex machines work overtime in arranging every visit.

Bucksbaum helps out for one hundred and one minor problems whose non-solution can wreck all the plans of the Israeli businessman. For example--a prosaic problem: the distances in China are very great and one has to fly from place to place. The network of domestic flights is not developed and it's hard to acquire an empty seat. Bucksbaum has connections with whose aid he can get hold of the longed-for tickets. He also helps in finding a place in one of the few modern hotels, which every evening are filled with thousands of preoccupied businessmen from Western countries. Even to get an accountant or interpreter is a problem which is hard to solve without someone in the know.

Among the Israelis who reached China lately were two very religious businessmen, one of them a representative of a plant in the energy sector. Bucksbaum took care to put them up as guests for Saturday in the Jewish community of Hong Kong. Afterwards, when they flew to China, he arranged a visit for them to the city of Kaifeng on the shores of the Yellow River where there was a Jewish community for 2000 years; its remains serve as a magnet for many tourists. The problem of food was much more serious, because in all of China there is not one kosher restaurant and no Jewish

communities. The two were forced to eat fruits, vegetables and sardines in all those days.

With all the problems, the combination of David Bucksbaum and Moshe Prague works well. The number of Israelis who reach China to check projects which are proposed to them grows ever larger. It appears that the Chinese apprehension of publicity of the range of its deals with Israel gets proportionately less. Perhaps in the near future there will be official announcements in the two countries of the scope of the activities and ties. The private entrepreneurs are already working almost openly: on June 3rd Prague and Bucksbaum sent a circular to dozens of Israeli businessmen in which they detail the services that they give in China.

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ISRAEL

INTERVIEW WITH HEAD OF IDF CIVILIAN ASSISTANCE UNIT

Tel Aviv BAMAHAANE in Hebrew 17 Jul 85 pp 13-14, 52

[Text] The fact that the IDF has withdrawn from southern Lebanon does not necessarily mean that southern Lebanon has left Israel. The region, its citizens and problems are all here -- on Israel's northern border -- and the mere fact raises anew the issue of coexistence and good neighborly relations with the local population, after the withdrawal.

One of the central factors, perhaps the most important one, which work incessantly, although quietly, in order to further these goals, is the Civilian Administration in southern Lebanon, headed, from its inception, by Col Sha'ul Nur'el.

[Question] How did the Civilian Administration evolve?

[Answer] When the IDF entered Lebanon, it established a unit which was then called the Lebanese Assistance Unit. Our goal was to restore normalcy to day-to-day life in southern Lebanon. For 6 months, when we were in Sidon, we dealt only with assistance. This meant that effectively civilian activity returned to what it had been prior to the 1976 events.

The terrorists, as is well known, did not leave a stone unturned, as far as that goes. To all intents and purposes, there was no normal civilian activity. The banks did not function; the electric and water systems were damaged as a result of the fighting between the terrorists and other forces; there was no postal service; the civilian administration -- including the regional governors -- was completely paralyzed. Within 6 months we returned almost everything to what it had been before. At that time it was decided to strengthen the unit and turn it into a liaison unit.

[Question] What are the responsibilities of the Civilian Administration?

[Answer] The activities cover five major areas. The first, day-to-day problems of the population. Activity in this area has been reduced, but right after the war it was very wide ranging.

The second area is overseeing the crossing points. There are four of them -- three international crossings and the so called "Good Fence." We are also

responsible for the northern crossing points which connect the security zone with the north. In addition we also have to deal with the refugees who came from the north and who today number about 15,000.

The fourth area that we are charged with is assistance, by which we mean medical, infrastructure and agriculture. Last not least, we try to foster ties between the southern Lebanese population and Israel.

[Question] What is the breakdown of the population receiving assistance?

[Answer] Most of the people in the former enclave are Shiites. There are about 150,000, living in 37 villages, out of the 44 in the region. In addition there are 30,000 Christians and several thousand Druze. The present security zone is somewhat wider and includes 120 villages, 90 percent of which are Shiite.

[Question] What is the Administration's budget?

[Answer] Just a few million dollars, 80 percent of which goes to health services. One ought to remember that the people in the region do not pay taxes for the public and other services which they receive. By which we mean, of course, those citizens who benefit from these services. The budget is barely sufficient for the people in the former enclave. It can therefore be concluded that those beyond the enclave are deprived. We are currently negotiating with the security authorities on increasing the budget so as to cover the whole zone.

#### Window To the World

[Question] Why is there a need for assistance to Lebanon even after the withdrawal?

[Answer] One ought to remember that the silent majority of southern Lebanon wants to live in peace and is interested in coexistence with Israel. We should not generalize and depict the population as a whole as being hostile. Many -- Christians and Shiites alike -- exposed themselves when they were loyal and cooperated with us, in the good sense of the word. It is important to maintain and nurture relations with them in order not to create the impression that now that the IDF is gone, Israel no longer cares. Moreover, an effort should be made to help the population attain reasonable economic standards and security, so they stand to lose something. We are interested in creating a friendly base which will not look to the north. The fact that we help the southern population strengthens its resistance to terrorist activities.

[Question] Can you recount the activities of the Administration, to date, in the area rebuilding the infrastructure in the region?

[Answer] Southern Lebanon is effectively a backward region. For 10 years the central authorities in Beirut have not invested one penny in it. The roads were in ruin, electric and water services did not function properly. Representatives of the government were scarce. Since we started, we paved

access roads to 17 villages and within the villages we paved 160 km of roads; we constructed 5 playgrounds; we supplied 670 (metric) tons of concrete to refurbish schools and fences around graveyards; we connected 12 villages to the Israeli water system (as you may recall, the Arabs claimed that we diverted water from the Litani River). In view of the hoof and mouth disease we helped eliminate 12,000 head of cattle in the last 2 years and an agricultural instructor aided the population in all that pertained to eradicating the disease.

[Question] Can you give us any details on the new port in the security zone?

[Answer] When we "lost" the ports of Tyre and Sidon because of the withdrawal, the need for a port within the security zone became more acute. About a month ago a small port was opened in al-Naqurah with a 40 meter dock, which is sufficient for passengers and goods. Construction is financed by the private funds of General Lahd, who, of course, enjoys our support. There is an intention to widen the dock to 100 meters in order to enable the docking of ships of up to 1,500 (metric) tons. Expanding the port will not only expand human and other ties between the people in the region and northern Lebanon but will also open a window to the outside world. People will be able to go to Beirut not via Israel. It will thus enable, for example, the Christian population, which is disconnected from the north or has difficulties reaching the north, to get there without the need to go through hostile areas. At the same time it will also serve the Shiite population. We have already notified the Shiites that they may use the port to transport goods and people to Beirut.

#### Our Treatment Is Better

[Question] Many Lebanese prefer to receive medical treatment in Israel. Why?

[Answer] The medical assistance is the most important aspect of our program there. Any Lebanese citizen who lives in the security zone and who wants to receive medical treatment in Israel, can go to any of the three points of the "Good Fence" -- Metulla, Biranit or Mitzpe Pe'er. The Lebanese population prefers treatment in Israel for several reasons: first of all it is free; second, there are hardly any public hospitals in Lebanon. True, there are hospitals in Tyre and Sidon, but their standards are very low and therefore people prefer to come to us for treatment. Our treatment is simply better than what they can get in Lebanon. About 35,000 people cross the border annually for medical treatment. About 10 percent enter Israel for hospitalization or outpatient treatment.

[Question] Is there any tendency to maintain this level of medical assistance?

[Answer] Because of budgetary problems and in view of the high cost of living in Israel (a hospital bed costs more than \$100 per day), we decided to send fewer people for hospitalization and at the same time help in improving the hospital in Marj 'Uyun, which is a Lebanese hospital. We are also supporting some Lebanese medical students.



[Question] What activities are there in the crossing points?

[Answer] As I pointed out, there are four crossing points-- three international ones and the "Good Fence." The international crossing points are in Rosh Haniqra, Biranit, Metulla and the "Good Fence" passage in Mitzpe-Pe'er.

Two of the international crossing points are also "Good Fence" passages, and I will explain the differences in a minute. An international crossing is meant for people and goods. It has customs officers and representatives of the Ministry of Commerce and AGREXCO. A "Good Fence" crossing deals with problems of the population, especially in anything that pertains to health services, and it therefore has a clinic. Anyone living in the security zone is entitled to go through the "Good Fence", as well as people from the north who obtain the proper recommendations. UN people also come in through these crossings, as well as Lebanese workers who have jobs in Israel, about 500 a month.

#### A Million Dollar Business

[Question] What is the extent of commerce through these crossing points?

[Answer] Before the war Israel sold Lebanese merchants goods amounting to \$500,000 per month. A month after the war the value of the goods jumped to \$8 million per month, and later it reached \$14 million. Regrettably, there has been a drastic decline recently and it is now about \$1 million monthly. In other words, we have returned to the situation of before the war. The reasons are clear.

[Question] Is the security zone sealed as far as connection between its people and northern Lebanon?

[Answer] No. We have opened five crossings in the northern part of the security zone: in al-Naqurah, Bayt Yahud, Khardali, (Bathuna) and near Hasbayya. These serve the people of the security zone. Any citizen is allowed to come and go through them on foot. They only have to show a document proving that they live in the security zone. Each such crossing has an area which enables the exchange of goods, from north to south and vice versa. Moreover, we enable merchants whose families live in the region, to move back and forth with their vehicles. We have given them the proper licenses. There is a lot of demand for these licenses and to date we have issued 20 cab licenses and 5 fuel truck licenses for each of the crossings.

[Question] What has the openness done for the region?

[Answer] Since the establishment of the crossings the zone has begun to thrive. When the withdrawal took place, there was a lot of pressure on the population. It was hard for people to find basic commodities such as fruits and vegetables. Goods did not come in and people stayed away from shopping in Israel. The opening of the crossing points allowed goods to come in and also provided jobs.

[Question] Have there not been some security problems as a result?

[Answer] Not to date.

[Question] What is happening with the job market? How many Lebanese work in Israel?

[Answer] About 500 Lebanese are employed in Israel. Two thirds are women and one third men. Some are Shiites, others are Christian. They work mostly in service industries: hotels and hospitals. Some also help with the harvest. They are considered good ambassadors. Many also speak Hebrew.

[Question] Is there any Lebanese tourism to Israel, and if so, what kind of tourism?

[Answer] Lebanese used to come to Israel even before the days of the "Good Fence." These were people of the old enclave who came to visit their relatives in Israel. It can hardly be called tourism. They stayed for a day or two. After the war the number of incoming Lebanese through both the international crossing points and the "Good Fence" rose to 10,000 per month. Of these, 50 percent were true tourists. They came from Beirut, Sidon and Tyre and stayed in Israeli hotels for 3-4 days or even more. This past January the number declined to 7,000 and today it is closer to 3,500 monthly. Most of them are residents of the former enclave.

[Question] What does the Civilian Administration do to strengthen ties between Lebanese residents and Israelis?

[Answer] We try to show them, and especially the younger ones, the nice part about Israel. Last year, with the encouragement of the Administration, 40 mutual visits were organized. All the civilian committees of the former enclave, mostly Shiites, visited northern kibbutzim, along the "Purple Line." Representatives of these kibbutzim reciprocated. Mutual visits of high school students were also organized and there were some walkathons in which Lebanese also participated. There were tours to the Knesset, Jerusalem and Masada. A camp for southern Lebanese children is held annually. This summer the camp will house 300 children of all groups -- Christians, Shiites and Druze. Several youth meetings will also take place on either side of the "Purple Line." These activities, as well as others, are public relations. I believe they are a worthwhile investment.

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CSO: 4423/60

KUWAIT

BRIEFS

MITSUBISHI ELECTRIC WINS ORDER--Tokyo, 29 Jul (KYODO)--Mitsubishi Electric Corp has won a 15 billion yen order for electricity substations from Kuwait, a Mitsubishi spokesman said Monday. Under an accord with Kuwait's Ministry of Electricity and Water, the third largest Japanese electric machinery maker will construct five substations within 30 months with a total capacity of 660 kilovolts, the spokesman said. Mitsubishi had previously received orders from Kuwait for 27 substations. The company also expects additional orders for electric power facilities, including district control centers, the spokesman added. [Text] [Tokyo KYODO in English 0241 GMT 29 Jul 85 OW]

TRUCKERS WITHOUT VISAS BARRED ENTRY--Kuwait, 28 Jul (WAKH)--Kuwait Sunday barred entry of truck drivers on transit unless they get in advance entry visas to countries en route or final destination. The ban was contained in a circular letter issued by the Interior Ministry today and addressed to all border posts. Kuwait is a busy crossing point for trucks from Arab and foreign countries bound for Arab Gulf states. Under the directives no truck driver will be allowed entry unless he secures in advance entry permit, from the concerned embassies, to countries of transit or of final destination. [Text] [Manama WAKH in English 1630 GMT 28 Jul 85 GF]

FRENCH COMPANY OIL CONCESSION--Kuwait, 28 Jul (WAKH)--The Kuwaiti Independent Petroleum Group (IPG) Sunday announced that it has granted the French Elf Aquitaine a 35 percent share it held in the South Yemeni Baihaf Oil concession. In a press statement, the non-governmental Kuwait Oil Company said it has signed an agreement on June 14th, 1985, with Elf Aquitaine under which the French company acquired 35 percent interest in the Balhaf area, fully held by IPG since 1983. According to the statement, the agreement stipulates that "Elf Aquitaine becomes the operator and a well is to be drilled in autumn of 1985." The Balhaf concession area is located east of Aden in the People's Democratic Republic of Yemen and covers an area of 18,000 square kms, partly offshore. [Text] [Manama WAKH in English 1600 GMT 28 Jul 85 GF]

CSO: 4400/220

AFGHANISTAN

FAIR WATER DISTRIBUTION UNDERWAY WITH FARMERS' ASSISTANCE

Kabul DEHQAN in Dari 12 Jun 85 pp 1, 7

[Text] With the victory of the Sawr revolution and its new evolutionary phase, in accordance with the programs of the PDPA, in order to provide for the welfare of our compatriots and improve the irrigation situation, for the first time in the history of our beloved country, a water law has been implemented according to which water has been distributed among the farmers. In order to better regulate and more effectively use water and water resources, the creation of the Ministry of Irrigation and Water Resources is considered one of the strong steps of our revolutionary government to better regulate, store and distribute water, this vital substance.

Following the implementation of the water law, irrigation offices were established in all provinces and some on the district level, including the irrigation office of Kabul Province, which is at the service of the patriotic and honorable farmers of the country. In the monarchical regime, water belonged to large landowners and was sold to the farmers who had little land. In condemnation of this decadent feudal system, water was taken out of the possession of individuals. Our people's government, by implementing the water law, announced that water can be used free of charge and also openly stated that water belongs to the people and is protected by the government.

The protection of water and water resources from pollution, dirt and water waste and the effective use of water through scientific and technical plans is the duty of our revolutionary government. As was mentioned, in the decadent regime of the past, water belonged to a small minority of landowners. With the implementation of the water law and the use of water in farming, the issue of the fair distribution of water was planned on the basis of local customs and traditions among the users of the water and on scientific principles and it was removed from the possession of individuals.



It goes without saying that until the plan for water use is devised, there are problems in the distribution of water. In order to solve these problems, steps were taken to create committees of the farmers who use the water. These committees are a social organization created by the water users themselves whose sole objective is to resolve the problems and quarrels related to water use among the users of water in the irrigation systems they employ. At the head of these committees are the water masters. Thus far, in the districts of Kabul Province, 27 farmers' committees of water users have been created, in which a total of 70 farmers are members. Recently, the general meeting of the farmers' committee of the water users of the districts of Kabul Province was held and the major problems in connection with the use of water in the area of Kabul Province was studied. As a result, it became clear that through the farmers' committees, technical, material and cash aid should be given to the water users. For example, in 1363 [21 March 1984-20 March 1985], 32 public canals were cleaned in groups with daily wages and cleaning was carried out in 106 km at a volume of 1,636,722 cubic meters.

Although the cleaning of the water passages was not included in the five-year plan of the irrigation chairman of Kabul Province, in order to improve the irrigation situation in Kabul Province, material, cash and technical aid was provided and a number of the water passages of the districts of Mir Bachcheh Kut, Qarah Bagh, and Deh Sabz were cleaned. In the same way, the dams on the Shir River and the (Hudkhil) dam were thoroughly repaired. A number of other dams were also repaired and revitalized. The exit canal of Band-e Qarghah, which passed next to the dirt hills, was leveled, at a length of 12 km, in order to prevent water waste. So far, nine km of it have been strengthened and the work continues.

With the completion of the reinforcement work on the exit canal of Band-e Qarghah, 60 percent of the water waste in transfer will be reduced and that amount of water will be distributed among the users.

In the same way, the irrigation network inside the institute for social sciences of the central committee of the PDPA was completed last year.

The Amir Qazi dam, which was destroyed by counterrevolutionary elements in 1362 [21 March 1983-20 March 1984], has again been put into operation for the noble people of the area with the repair of the siphon, spending more than 2 million afghanis, which, again, after some time, was destroyed by the disruptive anti-people elements and operation was stopped. It was decided that work on repairing and revitalizing it should begin in order to free the noble people of the Botkhak area from the shortage of water.



AFGHANISTAN

LAND DEEDS DISTRIBUTED AMONG FARMERS

Kabul DEHQAN in Dari 23 Jun 85 p 8

[Text] In continuing the implementation of the second phase of the democratic land reform, 518 land ownership deeds were distributed during the past 3 months of the year among the farmers with little or no land in the districts of Gereshk and Nad-e 'Ali and the capital of Helmand Province.

During this period, 7,470 hectares of the prime land of 510 landowners were purged and 30 farmers' councils were created in the various above-mentioned districts.

The source added: Thus far, 4,730 land ownership deeds were distributed among the farmers with little or no land in Helmand Province.

Also, an area of more than 59,000 hectares of prime land and 10,431 hectares of land has been distributed among 159 farm families there.

According to another report, 150 farm families with little or no land in Andkhvoy of Faryab Province have recently received land.

These farmers received their deeds during the ceremonies held in the center of Andkhvoy district and expressed their gratitude for the progressive measures of their revolutionary government.

10,000  
CSO: 4665/114

BANGLADESH

## COORDINATION BODY FOR REGIONAL SUMMIT FORMED

Dhaka THE BANGLADESH OBSERVER in English 28 Jun 85 p 10

[Text]

A 21-one member National Coordination Committee has been formed with President and CMLA Lt Gen HM Ershad as the Chairman to take preparations for holding the first South-Asian regional summit meeting in December in Dhaka. Foreign Affairs Adviser Humayun Rasheed Chowdhury told BSS today that the President has just approved the formation of the Committee which is expected to hold its first meeting soon.

The Committee he said would provide the necessary guidelines to different ministries and agencies of the Government in preparing for the summit meeting to be held on December 7 and 8.

The summit Mr. Chowdhury said will formally launch the South-Asian Association of Regional Cooperation with a definite structural framework and adopt its charter.

The draft charter for the SARC was unanimously approved by the fourth and last SARC Foreign Ministers' meeting held in Thimpu—the capital of the Himalayan kingdom of Bhutan—last month Mr. Chowdhury said.

The Foreign Office he said is in touch with the current Chairman of the SARC Foreign Ministers' Committee Bhutanese Foreign Minister Lyonpo Dawa Tsering for coordinating the preparatory arrangements with the other countries of the region.

The summit meeting is expected to be attended by the top leaders of seven South-Asian countries—Bhutan India the Maldives Nepal Pakistan Sri Lanka and host Bangladesh—two Kings four Presidents and a Prime Minister.

The summit the Foreign Adviser said is expected to generate the 'necessary political will' for intensifying regional cooperation in South Asia and 'spark the imagination' of the one billion people of the region with SARC spirit.

The summit meeting will be preceded by a meeting of the South Asian Foreign Ministers on December 5 and of the SARC Standing Committee of Foreign Secretaries on December 4 the Foreign Adviser said.

He said the Foreign Office had already initiated necessary preparation for holding the summit.

The National Coordination Council will supervise overall preparations for holding the conference and provide the guidelines to different ministries and departments entrusted with specific preparatory work the Foreign Adviser said.

The National Coordination Committee includes: the two DCMLAs the Ministers for Home Affairs Health and Population Control Agriculture Local Government Rural Development Cooperatives and Works Information Civil Aviation and Tourism and Youth and Sports Affairs

Foreign Affairs Adviser Finance Adviser PSO to CMLA Chief of Army General Staff ZMLA Zone 'A' Cabinet Secretary Foreign Secretary Secretary Science and Technology Division and Secretary of Cultural Affairs Division and Director General South Asia Division Foreign Office Mr. Shafi Sami will be member-secretary of the Committee.

A summit coordination cell has also been set up with Mr. Shafi Sami as the Chief Coordinator.

The idea of organising an association of South Asian Regional Cooperation was formally mooted by its dreamer, the late President Ziaur Rahman on May 2, 1980.

Before that President Zia, during his visits to the countries of the region between 1977 and 1980, explained the possibility of organising a forum for regional cooperation in South Asia for the common good of the people of the region.

Relations between the countries of the region were bedeviled by a number of outstanding bilateral problems.

But the idea of regional cooperation could at least bring the seven South Asian countries to come together and be able to cooperate in a number of areas for mutual benefit.

Sri Lanka came forward to host the first meeting of the foreign secretaries of South Asia in April 1981 who devoted to initiate the initial ground work for forming a forum of regional cooperation among the seven nations.

Since then the Foreign Secretaries of the region have met seven times and the Foreign Ministers four times. The Foreign Secretaries met twice in Male and once in each of the other capitals.

In the meetings the seven countries identified and have already started cooperation in nine identified fields on the basis of an agreed integrated programme of action launched in August 1983 by the first Foreign Ministers meeting held in Delhi.

The nine fields are: agriculture postal services, health and population activities, rural development, transport, science and technology, sports, art and culture, telecommunication and meteorology.

The last Foreign Ministers' meeting held in Thimpu which was preceded by a meeting of the Foreign Secretaries the seven countries unanimously adopted the draft charter for the SARC and also set the dates for the summit meeting.

CSO: 4600/1773

BANGLADESH

'SPECIAL ARRANGEMENT' WITH IMF FOR FISCAL SUPPORT

Dhaka HOLIDAY in English 28 Jun 85 pp 1, 8

[Article by Hassan Abul Quasem]

[Text]

Bangladesh is entering into a special arrangement with the International Monetary Fund (IMF) for its deteriorating balance of payment support in the next fiscal year.

An understanding is learnt to have reached between the two contracting parties for stand-by arrangement of Bangladesh in a recently concluded bilateral consultation in Dhaka in the second week of this month. The available indications suggest that Bangladesh might draw about 100 million special drawing rights (98 million dollar) under the arrangement.

The gradual depletion of foreign exchange reserve growing debt-servicing liability including the huge IMF loan and foodgrain loan, taken on deferred payment basis which fell overdue next year and declining trend in the inward remittances from abroad have forced the government to enter into such arrangement to meet the emergency fund requirements in the next year.

Bangladesh is learnt to have agreed to face the eventuality by swallowing bitter pill of the fund. A number of performance criteria relating to credit restriction as well as exchange rate restrictions is going to be imposed as a part of the deal. At present Bangladesh Bank is phasing out the new credit restrictions measures and exchange rate devaluation in the coming fiscal year. Under the arrangement there will be around 10 per cent devaluation of the Bangladeshi taka upto December next in relation to dollar while another 15 per cent credit restriction is likely over the next financial year.

The exchange rate of taka will be depreciated to Tk. 29 per dollar at the end of the current calendar year. This will generate huge sum of domestic resources-over 100 crore-for the annual development programme (ADP) in the next year.

Besides, the government

has agreed to free the secondary exchange market from the clutches of the Bangladesh Bank which use to interfere periodically to keep the exchange rate within a reasonable level and thus providing desired level of premium to the wage earners. The system of import entitlement certificate (IEC) against the export performance license (XPL) is likely to be abolished shortly and direct premium for different categories of exporters would be offered instead of IEC which will almost be equivalent to the differentials between the official exchange rate and the rate prevailing in the secondary market. At present the official rate of taka in exchange of dollar is 27.50 and 31.50 in secondary market.

#### VALUE OF TAKA

Under the arrangement the central bank will be allowed to interfere in such a manner so that the net effect of the intervention in the market will come down to zero. Bangladesh Bank pumped about 300 million dollars in wage earners market as a part of its market intervention this year. Thus Bangladesh will allow the taka currency to freely

float in the market with a view to paving the way for the true reflection of the strength of taka in the market.

The IMF in the consultation raised question as to the considerable appreciation of Taka currency to the extent of 7 percent in relation to basket of six major trading currencies of Bangladesh which is calculated in the month of April. The rate was Tk 26.50 in this month. Besides, the higher inflationary rate compared to the inflation to six major trading partners came under serious scrutiny which is estimated at around 11 percent on average according to a government official.

The IMF mission is learnt to have raised the question regarding the slow adjustment of Taka in relation to basket of other currencies on the basis of which taka value was determined, in comparison with the appreciation of taka and inflation rate. But there is a differences of opinion between the Bangladesh Bank and IMF regarding the adoption of

methodology in calculating the value of taka and determining the required rate of depreciation of taka in exchange of dollar.

According to Reuters monitor report, the consumers price percentage change in West Germany is 2.5 in June, United States 3.7, United Kingdom 6.9 and in Japan 1.9. over the level of last year. All major trading partners along with Pakistan and India. While the inflation rate in Bangladesh, according to World Bank, is 16 per cent this year. The stand-by arrangement is also a form of credit tranche drawings and gives the member an assurance that it would be able to make drawings on the fund up to a specified amount during a given period of time. The country will not be subjected to further scrutiny of its performance and policies so long it is observing the criteria including the quantified targets for bank credit, budget deficit and international reserves in the arrangement.

Traditionally the arrangement usually made for one year but it might extend to three years if this enabled the members, what IMF say, to implement its program of balance of payments adjustment successfully.

CSO: 4600/1776



BANGLADESH

# BUDGET SHOWS GDP 2.4 PERCENT BELOW TARGET

Dhaka THE BANGLADESH OBSERVER in English 1 Jul 85 pp 1, 10

[Text] The Gross Domestic Product (GDP) has recorded a growth rate of only 3.8 percent during 1984-85 fiscal year. This is 2.4 percent below the target of 6.2 percent. Last year the GDP growth rate was 4.2 percent.

There is a striking difference between the GDP growth rate target shown by the Economic Review of 1984-85 and the budget speech of the Finance adviser. The Economic Review said that the target was 6.2 percent while finance adviser Mr M. Syeduzzaman in his target was 5.4 percent.

The economic review of 1984-85 indicated that the agricultural growth rate during the year was only 3.6 percent against the target of 5 percent. Industries sector registered a growth of 4.3 percent against the target of 8.4 percent and the tax-GDP ratio was 8.3 percent compared to the target of 9.5 percent. Food production during the year was 158 lakh tons against the target of 175 lakh tons, jute production was 25 percent below the target and the export increased by less than 7 percent against the target of 8.6 percent.

The review disclosed that the foreign aid receipts (both project and commodity aid) during the year 1984-85 was nearly 16 percent lower than the estimated amount. The per capita income during the year under review also dropped to 1.7 percent compared to 2 percent in the preceding year.

The foreign currency reserve at the end of fiscal year 1984-85 dropped to Taka 944 crore (388 million dollars) while it was Taka 1298.19 crore (518 million dollars) during the corresponding period in 1983-84.

The economic review revealed that the economy of the last year of the Second Five-Year Plan, 1984-85 failed to realise the potential in the field of agriculture industry and other fields. Deterioration in the field of foreign trade and aid natural calamities drought and floods was shown as the causes that affected the country's economy adversely during the year under review.

CSO: 4600/1778

BANGLADESH

TEXT OF FINANCE ADVISER'S SPEECH ON 1985-86 BUDGET

Dhaka THE BANGLADESH OVSERVER in English 1, 2 Jul 85

[1 Jul 85, pp 3, 6-9]

[Text] My Dear Fellow Citizens,

Assalamu Alaikum.

Under orders of the President and Chief Martial Law Administrator, I have been given the responsibility for announcing the Budget of the Government of the People's Republic of Bangladesh for the year 1985-86. It is a matter of privilege and pride for me to be given this responsibility for the second time. However, in the context of the overall national economic situation, the significance of the national budget, and on the basis of my experiences in the past year, I remain all the more conscious of my limitations in discharging my responsibilities. Before embarking on a discussion of the economic situation and the budget, on behalf of the Government and on my own behalf, I would like to express my deep condolences for those of our people who lost their lives and suffered severe damages on account of the recent devastating cyclone and tidal bore in the coastal areas. In addition, I would also like to express my deep sympathies for the families and dear ones of those who lost their lives and suffered because of floods, natural disaster and accidents. The losses and damages on account of the recent cyclone and tidal bore has cast a pale of gloom over the national life. I express my heartfelt and sincere thanks to all those inside the country and in friendly countries and agencies abroad who have generously contributed to the relief and rehabilitation efforts of the Government.

2. 1984-85 has been an eventful year for the nation both from economic and political considerations. Political uncertainty does not create a conducive environment for economic growth and development. Therefore, the President and Chief Martial Law Administrator obtained a vote of support and confidence from the people for continuing with his economic programme in an uninterrupted manner. For the same reason, in order to make development efforts in the rural areas meaningful and far-reaching and to complete the reorganisation of administration at the local level, elections were held for electing Chairmen of the Upazila Parishads. Needless to say that this step will carry the objective of decentralising development activities at the local level and in the rural areas towards completion.

From the economic point of view, 1984-85 was not only an eventful year, but in the context of the nation's development efforts it can be termed as a year of test. Undoubtedly, changes in the internal conditions and in the international economic scene were reflected in it. As a developing country Bangladesh's economic activities are intimately linked with foreign trade and aid. Naturally changes in the external economic environment easily influenced the economic activities inside the country. During the year the international situation characterised by unsettled exchange markets, budgetary and monetary policies of industrial countries, aid policies towards the developing countries, have all been reflected in the economic situation of Bangladesh. I hope to say more on this shortly.

#### The Economic Situation in 1984-85

3. In spite of the damages to the economy towards the end of 1984-85, particularly in the agricultural sector, the beginning of 1984-85, the current financial year, had certain redeeming features. Foreign exchange reserves were at an all time high level; agricultural sector responded to the policy support, input supply programme and credit backing; it was quite clear that the industrial sector was coming out of recession; improved terms of trade and resources in sight permitted the Government to follow a liberal import policy for strengthening the domestic industrial sector; investment demands in the private sector were gathering momentum and the Annual Development Programme was fixed at a level higher in real terms compared to the previous year. In the field of domestic resource mobilization and fiscal measures, there was a qualitative departure from the practices of earlier years. Within the objectives of raising revenues, there was a conscious effort to make use of these measures as instruments for promoting efficient growth of domestic industries. The broad objectives were to extend the base of direct taxes, effect further simplification of tariff structure, ensure selective incentives to domestic industries, to safeguard consumers' interest, and to remove fiscal anomalies. On the basis of the potential of public sector programme and private sector activities it was estimated that the rate of growth of the economy would reach about 6% during the year.

4. Unfortunately, in the very first few weeks of the new financial year the economic situation took a completely different turn for the worse due to continued rains and intensification of floods. 1984 floods were the worst in Bangladesh for many years. There was extensive damage of food-grains and of major crops like jute, sugarcane, cotton, tobacco and tea. Taking together the damages to Boro, Aus and Aman crops in 1984, total quantity of rice lost due to the floods is now estimated at about 15 lac tons. Jute production was damaged to the extent of nearly 8 lac bales. Total damages to the economy, including agriculture and infrastructure, has been estimated at about Tk 1000 cr. Apart from loss of crops, people were faced with acute problems of employment on account of the floods and the Government had to take special measures to deal with the situation. The speed and efficiency with which the entire administration was mobilized for the relief operations was noteworthy and received praises both from inside and outside of the country. It may be mentioned that there was no report of death from starvation in the wake of the floods.

5. The food situation deteriorated with the very onset of floods. Prices showed an upward trend and larger quantities of foodgrains had to be released from the Government's food distribution system. In order to meet the need, within a short time, Government had to arrange import of nearly 12.5 lac tons of foodgrains from its own resources costing about \$245 million. During the year total quantity of food distributed through the rationing and public distribution system will be about 26.5 lac tons. Including food received under aid, almost the same quantity of foodgrains were imported into the country during the year. It may be mentioned that the original estimates of import of foodgrains and distributio. were 16 lac tons and 17 lac tons respectively.

Fortunately, in the post-flood period, because of satisfactory production of wheat and boro, internal procurement of foodgrains will be about 3 lac tons. After 1980-81, this will be the highest level of internal procurement of foodgrains. Consequently at the end of the year total quantity of food in Government stocks will exceed 10 lac tons. In the beginning of the year the total stock was only 8 lac tons, and in the beginning of 1983-84 it was near about 6 lac tons. This gradual improvement in Government food stocks is not only desirable but is a step in the right direction.

6. Heavy import of foodgrains, increased distribution for relief and rehabilitation programmes put significant pressure on the budget. In the post-flood period Government also undertook a special rehabilitation programme in the field of Agriculture. The main objective was to recoup as much of the loss due to floods as possible, through production of Aman, Boro, wheat, oilseeds, pulses and vegetables, etc. For this purpose agricultural credit for Aman transplantation was substantially expanded and relief was given to farmers by rescheduling repayment of due agricultural credits by one year.

After the floods demand for fertilizer went up substantially. This also had a positive impact on the agricultural sector. In 1983-84 a total quantity of 11.3 lac tons of fertilizer was sold and in 1984-85 the total quantity of sale will reach to 12.9 lac tons, or nearly 14% more than the previous year. The latest estimates are that in 1984-85 total food production will be 158 lac tons against the original target of 167 lac tons. The rate of growth of the agriculture sector which was 4.7% in 1982-83, declined to 3.6% in 1983-84 and will be 3.1% in 1984-85. The resilience which our farmers have shown is evident from the fact that in the face of severe natural disaster, rate of growth of agriculture has been kept above the rate of growth of population.

7. Balance of payments outcome for the year will be noticeably different from the original projections. Food imports from Government own resources, partly on case basis and partly on short term credit, put additional pressure on the foreign exchange reserves. Remittances, which reached a level of \$600 million in 1982-83 came down to \$550 million in 1983-84 and this is expected to come down to \$430 million in 1984-85. Due to favourable prices export earnings will reach about \$900 million, exceeding



the original target. At the same time on the basis of a liberal import policy demands for several consumer goods and industrial raw materials and spares increased significantly. It is now expected that total imports during the year will reach the target of \$2700 million. Disbursement of foreign aid in the form of food aid, commodity aid and project aid was estimated at \$1475 million. At the end of the year total disbursement may now reach only \$1340 million. Due to increased food imports, decline in remittances and reduced disbursement of foreign aid, foreign exchange reserves will decline from \$516 million at the beginning of the year to about \$388 million. An amount of \$55 million was received from the International Monetary Fund on account of compensatory financing for exports, but for which reserves would have declined further. Similarly, end-year reserves would have improved if the disbursement of foreign aid could be stepped up.

8. Though total revenue receipts will exceed the original estimates, increased food imports, free distribution for relief and rehabilitation, food for works programme and rehabilitation programmes in the agriculture and infrastructure sector will substantially reduce the revenue surplus. Slower disbursement of foreign aid including project and commodity aid reduced total availability of resources. Increased distribution of food-grains through the rationing system and for relief, food for works, etc. substantially increased subsidy on food account. Against the original budget estimates of Tk 109 crore total subsidy in the revised budget will reach a figure of Tk 250 crore. Consequently the size of the Annual Development Programme had to be reduced to make it compatible with available resources.

9. I have already referred to the adverse situation in the agricultural sector during the year. Due to reduced production of jute, sugarcane and other agricultural products, growth in the industrial sector remained unsatisfactory. Growth rate in the production of cement and several engineering industries also declined during the year. The industrial sector is now estimated to grow by only 2.9% against a growth rate of 6.9% in 1983-84.

During the year Government continued its policy of support to the private sector for increased investment. But progress in this sector during the year will be modest indeed. The capacity of industrial financing institutions for helping new investments declined owing to unsatisfactory recovery of their dues. Due to poor programmes in recovery of overdues donor agencies withheld foreign exchange credit lines to these institutions. Consequently, though in 1984-85 total number and amount of new industrial sanctions increased significantly, actual investment and disbursement could not keep pace with it. Due to unsatisfactory financial position of the financing institutions, Government was unable to extend necessary help to the private sector in the face of growing demands. The potential for investment for growth was considerably thwarted because of this situation.

10. On account of damages due to floods, reduced rate of growth in the industries sector, reduced size of the public sector investment programme and foregone opportunities of private sector investment, the rate of growth of GDP during the year will be 3.8%, compared to 4.2% achieved in 1983-84.



But it needs to be mentioned that if foodgrains to the extent of a million tons and jute to the extent of 8 lac bales were not damaged due to the floods, GDP rate could have been easily 5% if not more.

11. In spite of these adverse facts it can be said clearly that the Upazila based administration is taking roots and in near future it will help to make development efforts at local level meaningful and dynamic. During the year almost all the Upazilas prepared their own ADPs on the basis of guidelines given by the Planning Commission and the Local Government Division. Almost all Upazilas submitted reports about their financial and physical progress. It is expected that on the basis of evaluation of these reports the Upazila Parishads can be formed into powerful tools for preparation and implementation of development projects.

12. Another problem which the economy had to face during the year was excessive credit and monetary expansion. Recovery of loans in the private sector, particularly in the Agricultural sector, did not keep pace with disbursement of fresh credit. This resulted in excessive expansion of money supply. Such expansion in money supply consecutively for several years does not augur well for the economy and creates a dangerous possibility for increase in prices. Though during the year inflation is expected to be contained within a limit of 12%, unless control and discipline are introduced in the field of credit and money supply, price level may come under excessive pressure in a delicate situation. Accordingly in November 1984, the Central Bank had to take several measures to bring credit expansion under control. Excepting agricultural credit and export credit, interest rates were increased across the board and at one stage credit ceilings had to be imposed on commercial banks. It may be mentioned that with expansion of credit, demand for imports also increased and created pressure on the foreign exchange reserves. This also had its impact on the exchange rate of Taka. Needless to say that in order to keep inflation and price increase within control, the measures taken in respect of the bank credit expansion will have to be continued.

13. The performance of the public sector enterprises was mixed during the year. While some financial and non-financial organisations generated significant amount of surplus, others found themselves in acute financial difficulties. The Jute Mills Corporation suffered huge losses and the position of the Sugar and Food Industries Corporation deteriorated due to reduction in sugar production. Another problem related to the public sector organisations was realisation of their dues. In order to streamline the system of settling inter-agency dues an inter ministerial committee has been set up. In order to put the administrative, accounting and service rules of different corporations and public sector enterprises on a uniform and reasonable footing, formation of a consultative committee involving the Chief Executives of public sector corporations is being arranged. This was necessary in the face of growing symptoms of financial indiscipline and irregularities in some organisations. In order to facilitate the flow of adequate management information, ensure financial control and monitor performance of public sector enterprises, a special unit was set up in

the Autonomous Bodies Wing of the Ministry of Finance to develop and implement a public enterprises management information system. It is expected that, working in close and continuous cooperation with the Ministry of Industries, it will be possible for this unit to help improve the efficiency, productivity and financial position of the public sector enterprises significantly.

#### Revised Budget 1984-85

14. Estimates of total revenue receipts in the budget for 1984-85 was Tk 3371 cr. In the revised estimates this has been placed at Tk 3477 cr, showing an improvement of Tk 106 cr. The reasons for decline in revenue collection in some areas are shortfall in land development tax, lower customs duties (because of refund of duties in larger quantum) and increase in the deficits of Railways and Post Office Department. The areas in which revenue collection improved during the year are surplus contribution and profits of nationalised organisations (including banks), higher surplus of the Telegraph and Telephone Board and larger receipts from sale of several public sector assets including Pubali Bank.

In the original budget for 1984-85, total expenditure was estimated at Tk 2605 cr (including unexpected expenditure of Tk 1228 cr). In the revised budget this figure will come to Tk 2930 cr. The main reasons for increase in expenditure amounting to Tk 325 cr are:

--increase in administrative expenditure mainly arising from benefit of higher time scales given to Government servants (Tk 66 cr nearly).

--increase in subsidy in the food budget due to distribution of foodgrains for relief and rehabilitation and overall increase in off-take through the rationing system (from Tk 109 cr to Tk 250 cr, i.e. increase by Tk 141 cr).

--increase in debt services and repayment liability on account of foreign loans (nearly Tk 66 cr).

--higher pensionary benefits (nearly Tk 32 cr), etc.

After adjustment of revenue receipts with additional expenditure, revenue surplus of Tk 766 cr in the original budget came down to Tk 547 cr in the revised estimates.

Like the previous two years, there were considerable changes in the food budget also this year. The principal causes were higher import of foodgrains from the Government's own resources and on short term credits, higher food off-take for relief and rehabilitation and overall increase in off-take through the rationing system. In the original budget valuation of food aid was estimated at Tk 625 cr. This will come down to Tk 574 cr in the Revised Estimate. Total outlay on food including purchases from own resources, other administrative and handling expenses, was estimated at Tk 1502 cr. In the revised estimates total outlay has been placed at a higher figure of Tk 1889 cr. (including Tk 523 cr on account of Government's

own resources for imports). Total receipts including sale proceeds of food were estimated originally at Tk 1198 cr. In the revised budget on account of higher off-take total receipts will come to Tk 1593 cr. Taking into account the expenditure on Food for Works Programme, net outlay in the food budget which was originally estimated at Tk 557 cr will now come to Tk 236 cr in the revised budget. There will be an overall cash surplus in the food budget amounting to Tk 332 cr. There are two reasons behind this. First, internal procurement will come down to 3 lac tons from the original estimates of 5 lac tons, saving cash, and secondly, sale of food-grains purchased on short term loans generated cash from sales during the year. At the same time it needs to be stated that, as a consequence, in 1985-86 and the subsequent two years, substantial amount of funds including foreign exchange will have to be spent for repayment of the short term loans.

In the case of foreign aid also there was substantial change in the revised budget from the original estimates. Receipts on account of food aid, commodity aid and project aid in the form of loans and grants were estimated at Tk 3897 cr. In the revised budget this will come down to Tk 3307 cr, nearly 15% decline. It may be mentioned that shortfall on account of project aid disbursement will be nearly Tk 314 cr and on account of commodity aid nearly Tk 225 cr. Slow disbursement of project aid and commodity aid are the reasons behind this.

15. The size of the Annual Development programme for 1984-85 was determined at Tk 3896 cr. Domestic resources including revenue surplus was taken at Tk 766 cr and foreign aid at Tk 3130 cr. The revised Annual Development Programme had to be reduced in size on account of the reasons I have already described. The revised size is Tk 3508 cr. For financing this, domestic resources including revenue surplus will contribute Tk 890 cr and foreign aid will be of the order of Tk 2618 cr. Nearly 75% of the resources for the revised ADP for 1984-85 will come from foreign aid.

#### Backdrop and Context of the 1985-86 Budget

16. 1984-85 will be the last year of the Second Five Year Plan. Needless to say that a number of targets of the Plan will remain unrealised. Agricultural growth will be only 3.6% against the target of 5%; industries sector will grow by 4.3% against the target of 8.4%; GDP growth rate will be only 3.8% against the target of 5.4% and tax-GDP ratio will be only 8.3% compared to the target of 9.5%. Food production will be only 158 lac tons against the target of 175 lac tons, jute production will be 25% below the target, and exports will increase by less than 7% against the target of 8.6%. The main index of family planning target (CPR) will remain roughly one-third below the target and last, but not the least, foreign aid receipts (project and commodity aid) will be nearly 16% lower than the estimated amount.

Needless to say that the economy failed to realise the potential in the field of agriculture, industry and other fields. No doubt, greater emphasis on the private sector, though coming late in the second half of the Plan,

created new possibilities. It may also be mentioned that both internal and external factors were responsible for non-realisation of Plan targets. Deterioration in the field of foreign trade and aid, natural calamities, drought and floods, affected the economy adversely. But in a developing and least developed country like Bangl-desh representing a most difficult collection of development problems, there is no alternative to renewed efforts. This hard reality has given us the impetus for going into the Third Five Year Plan from July 1, 1985. The budget for 1985-86 and the Annual Development Programme for the year will be the first step and manifestation of this effort and, according to the chronological development of Bangladesh's economy, the year 1985-86 will be the first year of our Third Five Year Plan.

My Dear Fellow Citizens,

17. I would like to take advantage of this occasion to say that a realistic expectation about the medium term and long term prospects of the economy should be based on its potential rather than on consideration of temporary negative factors. As mentioned earlier, the outcome of the Second Five Year Plan has been largely determined by two external conditions which were outside the control of the Government. In the first three years of the Plan, management of the economy had to be undertaken in a turbulent world environment characterized by recession and stagnation in the industrial countries. Except for one year in all the other four years, the economy suffered severely in the agricultural sector on account of drought and floods. The potential of the economy has to be judged keeping these factors in view. Though during the Second Five Year Plan the average GDP growth rate has been only 3.8% around this there were sharp fluctuations between 0.9% and 6.1%. Agricultural growth fluctuated between (-) 0.6% and 7.1% due to weather conditions. In fact, during the Second Plan flood and drought hit the agricultural sector more frequently and severely than in any comparable period in the past 30 years. Total loss of food production due to floods and droughts during the Plan period is estimated to be about 2.5 million tons or about 5% of GDP. A higher agricultural growth, in addition to its direct contribution to the GDP, would also have some effects on demand for industrial products to stimulate the sector. It may be easily said that over 1% of potential growth of GDP per annum was lost on average due to weather and natural calamities.

It is, therefore, quite clear that potential for growth of the economy is higher than what will be realised in the Second Five Year Plan. This potential will exist even if the international environment remains unchanged. Therefore, I believe that GDP growth rate in the Third Five Year Plan can easily exceed the growth rate realised during the Second Five Year Plan.

It is on this premise that the Third Five Year Plan objectives and targets have been formulated. But let us make no mistake that an important pre-condition will be a set of rational and correct internal economic policies. And if the external environment deteriorates unexpectedly no doubt the targets and programmes will be adversely affected. I would like to mention that the Third Five Year Plan is being prepared on a realistic appraisal of



domestic resource mobilization possibilities and realistic estimates of foreign aid receipts. It is also worth mentioning that during the last three years while the GDP growth rate suffered due to circumstances beyond the control of the Government, it exceeded the growth rate of population which has not been possible in the case of many developing countries in a comparable stage of development. But in the post liberation period though the GDP growth rate was higher than population growth rate, distribution of income was not equitable. Therefore, the Third Five Year Plan will have poverty alleviation as its central theme through a focus on employment and income generation. The underlying causes of poverty are inadequate investment, low-level technology and low productivity. These are applicable in the agriculture as well as industrial sectors. Increasing the productivity of both land and labour will dominate programme contents in almost all sectors. Since higher productivity of labour will create demand for commercial energy, priority of the energy sector including production, transmission and distribution of gas and power, with emphasis on rural electrification will continue as in the Second Five Year Plan. Consistent with these priorities, improvement of skills through primary and vocational education and development of human resources in this way will be an important component of the Plan. Over and above, population control and family planning programme will continue to remain as the major pre-condition for success of the Plan.

18. It also needs to be emphasised that the plan will have greater reliance on policy planning than before, because of the greater role envisaged for the private sector. In the light of recent experiences, monetary and fiscal instruments will be used with a greater degree of sophistication than direct mechanical control. Over and above, it needs to be stated that special emphasis will be placed on an efficient management and improved productivity of public sector enterprises for generating surplus for investment.

19. The Third Five Year Plan will be placed before the highest authorities of the Government in near future for final decision and for this purpose draft documents are currently being finalised. At this stage it is possible to provide some indicative numbers regarding major objectives and targets such as:

GDP growth	:	A minimum of 5.4%
Food output target	:	207 lac tons
Population targets	:	CPR of 40% by 1990, and NRR equal to one by 2000 A.D.; by 1990 population growth rate to be brought down to 1.8%
Tax-GDP ratio	:	10.3% in the terminal year of the plan
Domestic savings	:	10% of GDP
Exports	:	Annual rate of growth of about 5.9%



Undoubtedly, for Bangladesh embarkation on the Third Five Year Plan in the light of experiences of recent years will begin in a period of transition. The policy package will not only have to address macro handicaps, but also concentrate on specific conditions in the areas of poverty, employment, population control and primary education. In the budgetary and in the planning areas a number of important reforms and reorganisations are essential. The allocations of greater resources for operation and maintenance of existing assets, improvement in the planning process of the Annual Development Programme, monitoring and implementation, reorganisation of the agricultural input delivery system in the light of recent experiences, and reforms in the financial sectors, etc. will also be necessary in the context of the new Plan.

20. The Budget and the Annual Development Programme for 1985-86 has been drawn up in the context of the broad objectives regarding the Third Five Year Plan as discussed above. The outlook of resources for 1985-86 has been considered in the light of three major factors such as growth prospects of the economy, expected changes in the balance of payments position and prospects for receipt of foreign aid. In the public sector outlay there will be only modest nominal growth and policy indications will take precedence over any growth in the public sector investment programme. The reasons are increased debt liabilities, allocation of more resources for maintenance and repair of existing assets, and noticeable reduction in revenue surplus due to increase in salaries of Government and public sector employees. Moreover, a major part of available resources will be pre-empted by on-going and incomplete projects of the Second Five Year Plan spilling over into 1985-86.

21. As in previous years, in 1985-86 also foreign aid will play an important role in our national budget and development programmes. It should be mentioned that in the last one year there has been an appreciable deterioration in the aid climate. The possibility of decline in concessional long term assistance for developing countries is real. For us international development institutions are the major sources of long term concessional assistance. These are facing uncertainties about replenishment of their resources and conditionalities of their assistance are getting stricter. Satisfactory utilization of project aid and policy performances in other areas are taken as direct and indirect conditions for such aid, particularly commodity aid. In the original Annual Development Programme for 1984-85, foreign aid was expected to contribute about 80.5%. In the revised programme this will come down to about 75%. I have already mentioned that this year foreign aid receipt will decline by about 15% from the original estimates. Total disbursement of \$1340 million, though higher than 1983-84, will be lower than 1982-83. Greater attention will have to be concentrated on acceleration of project aid disbursement in order to improve and change this situation.

22. The estimates of revenue receipts, budgetary expenditure and Annual Development Programme have been determined on the basis of expected growth in foreign trade, foreign aid receipts, transitions in the balance of payments and expected growth in production. Balance of payments estimates have been prepared on the basis of expected GDP growth, exports, import of

food, a minimum level of import of industrial raw materials and other consumer goods, repayment of foreign debts and requirement of investment resources; particularly a reasonable growth in the field of private investment. Export earnings have been projected at \$950 million. Total imports have been estimated at \$2600 million, which will be \$100 million less than 1984-85. The main reasons are that remittances have been taken at more or less the same level as this year, substantial increase in foreign debt payment obligations and expected fall in prices of some of our major exports. Foreign aid disbursement estimates have been placed at \$1485 million (food aid \$280m, commodity aid \$425m and project aid \$780m). The Import Policy for 1985-86 is being announced based on these estimates of exports, foreign aid and expected foreign exchange receipts from other sources. It is expected that the revenue targets of the Government will be realised on the basis of significant expansion in economic activities resulting from increased industrial production and supply of commodities on the basis of the new Import Policy and realisation of the expected targets based on strong incentives provided in the new Export Policy.

Foreign debt service and payment obligations will grow significantly in 1984-85 and 1985-86 on account of past purchase of foodgrains on short term loans, repayment of past loans taken from the IMF and loans received from other bilateral and multilateral donors. Total payment of loans and interests will be about \$350 million in 1984-85 and about \$410 million in 1985-86. These will account for 21.5% and 24.3% respectively of total foreign exchange receipts from exports of goods and services and remittances in these years. It may also be mentioned that in 1986-87 the amount of debt payments will reach a level of \$480 million which will be about 28% of total export of goods and services and foreign exchange receipts from other sources. However, excluding short term loans debt payment liability will remain below 20% of total foreign exchange earnings in all these years. Payment obligations will come down after that. But in the next two years, 1985-86 and 1986-87, the economy will have to pass through difficult situations. It will, therefore, be important to mobilize all efforts to increase exports and to ensure accelerated disbursement of foreign aid.

On the basis of projections regarding exports, imports and foreign aid disbursement, it appears that at the end of 1985-86 foreign exchange reserves will come down to about \$305 million. This will be considerably lower than the reserves at the end of the two previous years. If there is shortfall either in export earnings or remittances or disbursement of foreign aid, it may be necessary to mobilize foreign exchange resources from other sources. It is possible to obtain medium term loans from the International Monetary Fund. But it is expected that on the basis of incentives and facilities provided in the new Export Policy, it may be possible to exceed the target of export earnings in some areas.

Our terms of trade are also expected to deteriorate in 1985-86. Taking 1972-73 as the base year, terms of trade came down to 57 in 1983-84, improved to 66 in 1984-85 and is expected to come down to nearly 60 in 1985-86. It needs to be mentioned that though Government have created liberal facilities for increase in exports and progress in several areas

is satisfactory, our export efforts may face difficulties in some cases on account of protectionist trade policies of industrial countries. Already there are several indications of this. Government will make all efforts to resolve the issue on the basis of negotiations with the industrial countries after proper examination and evaluation of the situation.

#### Budget Estimates for 1985-86

23. On the basis of import targets mentioned above and existing taxes, duties and fees, revenue receipts are estimated at Tk 3754 cr in 1985-86. Including land development tax, total tax receipts will come to about Tk 2961 cr and the rest from non-tax receipts. Areas where revenue income will grow are income tax (growth of nearly 10%), excise duty (16%), sales tax (about 12%). Surplus profits and receipt of interest from non-financial public sector organisations are expected to grow by about 12.5%. Surplus revenue of the Telephone and Telegraph Board is expected to grow by 30%. All Ministries and Divisions have been specially directed to ensure generation of higher surplus from the public sector organisations and for timely payment of interests on Government loans.

Revenue expenditure in 1985-86 has been placed at Tk 3313 cr. This includes Tk 392 cr as unexpected expenditure. On an overall basis, revenue expenditure will increase by about 13%. The main reason for higher allocation under the "unexpected expenditure" is increase in pay and allowances of Government servants. I shall come back to this a little later. Increase in administrative expenditure is mainly due to the impact of higher time scales allowed to Government servants earlier. In the field of education, health, family planning, agriculture and several other programmes, direct budgetary allocations apparently look smaller. But annual expenditure under all the heads will be higher because a sizable part of their expenditure will be channelled through the Upazila parishads.

In the next year's budget, special attention has been given to allocation for operation and maintenance of existing Government assets. In some sectors expenditure will go down noticeably. These are relief and rehabilitation related expenditure (decline of Tk 61 cr) and decline in the amount of food subsidy (about Tk 60cr). At the same time recurrent expenditure will increase in such areas as grants, interest on domestic debt, interest on foreign debt, etc.

24. Taking into account revenue receipts and recurrent expenditure, revenue surplus yield comes to only Tk 441 cr. Estimates of capital transactions in the non-development budget will reduce this surplus further. Deficit in the non-development capital account in 1985-86 budget is estimated at about Tk 273 cr. The main reasons will be repayment of foreign loans and repayment of about Tk 190 cr on account of Special treasury Bond floated in 1983-84.

25. Total expenditure in the food budget for 1985-86 has been estimated at Tk 1522 cr. This includes Tk 755 cr as valuation of food aid. Tk 392 cr from own resources for imports and repayment of food loans and Tk 625 cr for internal procurement, administrative and operative expenses. Import of foodgrains, including food aid, has been estimated at 17 lac tons. Target for internal procurement has been fixed at 5 lac tons--rice 3 lac tons and wheat 2 lac tons. Sale proceeds through the rationing system, open market sales and other receipts will give a total receipt of Tk 1365 cr in the food budget. Accounting for expenditure on Food for Works Programme and different types of maintenance and repair work relating to FFW, net outlay in the food budget will be Tk 584 cr. Total distribution of foodgrains from the Government stocks in 1985-86 has been estimated at 20 lac tons, including Food for Work, Test Relief and Vulnerable Group Feeding. Valuation for Food for Works Programme will be about Tk 277 cr. Subsidy in the food budget in 1985-86 has been estimated at Tk 190 cr compared to Tk 250 cr in 1984-85. Financing of the net outlay of Tk 584 cr will be met to the extent of Tk 655 cr from foreign aid and Tk 38 cr from the revenue budget--thereby giving a surplus of Tk 109 cr which will be available for financing the Annual Development Programme.

Keeping the food situation under control is a pre-condition for maintaining price stability. I have already mentioned that food stocks in the hands of the Government will exceed 10 lac tons at the end of this year. Production target has been set at 165 lac tons and on this basis domestic procurement has been estimated at 5 lac tons. Taking into account 17 lac tons of import and projected off-take of 20 lac tons, reasonable leakages and loss of stocks, total food stocks at the end of the next year should be at least 11.5 lac tons. The main factor for realizing this target will be domestic procurement of 5 lac tons, failing which end-year stock will go down. For this purpose Government will have to ensure fair support prices to the growers. If the quantum of production exceeds the target, then Government stocks can also be improved by reducing off-take through the rationing system. In order to examine the inequities in the existing rationing system, impact of the system including the statutory rationing system on the Government budget, and all other aspects of these operations, a high powered committee has been set up by the Government. It is expected that this committee will make well thought out recommendations on the present system of rationing and reduction of subsidy. It is worth mentioning here that since 1982-83 stocks in the Government godowns have increased at the end of every year. Needless to say that this policy of the Government has helped to stabilize food prices. It will, therefore, be essential to attach due importance to domestic procurement along with increased production. This will not only help to increase Government stocks, but will also ensure fair support prices to the growers.

26. I have mentioned a little earlier that a substantial amount has been earmarked in the budget grants for next year under the head "Unexpected expenditure" on account of increased pay and allowances for public servants. The existing pay scales of employees of the Government, autonomous bodies, public sector corporations, banks and the financial institutions were introduced from July 1, 1977. After that, from time to time some new facilities



were introduced and existing facilities improved. Opinions have been expressed for some time that the efficiency of the Government and public sector organisations has been adversely affected due to unrealistic pay-scales in the light of increased cost of living. Criticism has also been made that the unrealistic pay structure is slowing down implementation of development projects and adversely affecting development activities and the development process. Taking into consideration all these factors and others, Government set up a National Pay Commission for examining the pay structure of Armed Services personnel. The Commission and the Committee submitted their reports within the stipulated time. Taking into account the report of the Commission, recognising the need for upward revision of salary and allowances, and keeping in view the overall resource position of the Government, it has been decided to introduce new pay scales for employees of the Government, autonomous bodies, public sector corporations, nationalised banks and financial institutions, with effect from June 1, 1985. In the new scales dearness allowances, ration compensation allowances, personal pay allowances have all been merged. The minimum pay has been fixed at Tk 500 per month and the highest at Tk 6000 per month. Simultaneously with the introduction of new pay scales rest and recreation allowance and the system of award of higher time scales will be abolished. But in order to improve promotion prospects in the case of certain services some structural changes are under consideration. The facility of annual festival allowance introduced in 1984 will continue. Rate of medical allowance will also be enhanced. Government orders in this respect are being issued soon. These orders will also indicate some additional benefits for retired Government employees.

27. This year Government also set up a National Wages and Productivity Commission to examine the wage structure of industrial workers in the public sector at all levels, and to recommend minimum wage rates for such workers in order to ensure fair compensation and to improve the standard of living of industrial workers. Taking into account the report of the Commission and the resource position and ability of the concerned industrial organisations, it has been decided by the Government to introduce new scales of industrial wages with effect from June 1, 1985. In the new scales the minimum basic wage will be fixed at Tk 560 per month after amalgamating the existing dearness allowance and compensation allowance. In addition, medical allowance has been fixed at Tk 100 per month in place of Tk 6000. Consequent upon the increase in basic wages, workers will also receive higher amounts as housing allowance. Under the new system nearly 180,000 workers engaged in the public sector industrial units will benefit. For this additional annual requirement of funds will be Tk 47 cr gross and nearly Tk 37 cr net. Government expect that based on the additional benefits the industrial workers will take special care to help increase production by working more efficiently and thereby contribute to the growth of the economy.

There are no adequate justifications for increasing the pay and allowances of Government and public sector employees and workers. But let me make it clear that unless this is accompanied by increased efficiency of management, operation and higher productivity, prices of goods will come under



pressure. All organisations have to remain conscious of this. In this context, let me also mention that keeping the price situation stable and under control and thereby help the export and import activities, will remain an important pre-condition of the success of the investment and development programmes for 1985-86. Keeping this in view the monetary and credit policy for the next year will have to be formulated extremely carefully. The main objective of this policy will be to provide support on a priority basis to all productive activities in the public and private sectors.

28. In order to implement the new pay scales for the Government, autonomous bodies, public sector corporations, nationalised banks and financial institutions, the gross additional expenditure in 1985-86 will be about Tk 450 cr and a net outlay of Tk 395 cr. For those who receive their salaries from the Government budget the additional net outlay will be about Tk 300 cr and Tk 95 cr net for employees of the public sector organisations. I have already mentioned that according to the report of the Wages and Productivity Commission additional gross and net outlay will be Tk 47 cr and Tk 37 cr respectively. Government believes that it is entirely possible for the public sector organisations to bear this additional expenditure by increasing their efficiency and productivity, by bringing into production unutilized capacity and by limiting and reducing various types of indiscipline, wastage and misuse of resources. It should also be made clear that all organisations, after fully using their productive and management capacity, must reflect their actual production costs into the prices of goods and services produced by them. The various public sector organisations have been clearly told that they will not be permitted to resort to bank borrowing for meeting any part of increase in pay and allowances, and there is no question of subsidy from the Government on this account. There can be no reason for not following and observing this obvious commercial principle.

#### Annual Development Programme 1985-86

29. The National Economic Council has already approved an Annual Development Programme of Tk 3825.72 cr for 1985-86. Total number of projects in the 1985-86 ADP will be 760, including 637 projects for the main work programme, 93 technical assistance projects and 30 projects to be financed by different autonomous agencies from their own resources. Out of 637 projects in the main work programme, 522 will be on-going and incomplete projects from the Second Five Year Plan. 115 new projects have been included in the next year's ADP. In the ADP for 1984-85 there were over 800 projects. It is desirable to bring down the number of projects in the ADP so that adequate and reasonable allocations can be made for projects selected on priority consideration for their early completion. I had already mentioned that the possibility of inclusion of new projects in the next year's ADP will be limited. It is expected that in 1985-86 a significant number of ongoing and incomplete projects will move towards completion and that from the following year it will be possible to include larger number of new projects reflecting the strategy and objectives of the Third Five Year Plan.

30. For 1985-86 the target of GDP growth rate has been fixed 5.5%. But for the severe damage to agricultural sector the growth rate of the economy in 1984-85 would have reached this level. Other sectoral growth targets for 1985-86 are 5.5% for agriculture, 7.5% for industries, 16% for power and natural gas and 5.5% for transportation. The target for growth rate in the agricultural sector has been fixed on the assumption of normal weather conditions, increased activities in the field of irrigation, input supply and extension and an appropriate price support policy. The highest share of the total ADP allocation will be for the agriculture sector, water resources and rural development, as in 1984-85. Food production target has been set at 165 lac tons on the basis of 4.4% increase over the current year's level of 158 lac tons. In view of the high prices of jute prevailing in 1984-85, it is expected that production of jute may reach about 60 lac bales in 1985-86. Apart from jute, increased production of sugarcane, cotton, tea and tobacco are expected to provide increased raw materials for domestic industries, surplus for exports and help import substitution. In the industries sector production of jute goods, textiles, fertilizer, steel, sugar and cement are expected to exceed the level achieved in 1984-85.

31. In the development programme for 1985-86, in order to achieve the targets priority has been attached to agriculture, industrial production, increase in production of power, population control and family planning, education and human resource development. Taking into account the resource constraint in all sectors of the economy, particularly in the field of industries and agriculture, utilization of existing investment and capacity will be a major tool for increasing production in 1985-86 and in the subsequent years. For this, adequate importance has been placed on improvement of management efficiency, balancing and modernization of industries and development of full potential of investments made in the irrigation sector. Programmes have been included for reducing dependance on imported power and gas. Special emphasis will be placed on continued expansion of the rural electrification programme. In the programme for the health sector, primary health care in the rural areas will continue to enjoy priority. In the field of family planning, greater emphasis will be placed on non-conventional methods. Vocational technical education programmes will be expanded in order to increase technical skill at the lower and intermediate levels.

32. Among the steps and measures taken by the Government for successful implementation of the population control programme are formation of the National Council on Population Control headed by the President, formation of Population Control Committees at the village, union, upazila, municipality and district levels, introduction of national awards in recognition of significant contribution in the field of family planning and introduction of awards and various incentives and facilities for successful and satisfactory work at the level of upazila and below.

As a result of various measures taken by the Government over 90% of the eligible couples in the country are now aware of family planning practices. The percentage of acceptors of family planning methods in 1969 was only 3.9%. In 1984 this rose to 24% and it is expected that if the measures

taken by the Government are implemented, greater success will be achieved and the percentage will rise significantly.

The decision of the Government to set up health and family welfare centres at the union level emanated from the objective of strengthening maternal and child welfare and family planning services in the rural areas. Up to May 1985, 734 such centres were fully constructed and 364 were in various stages of construction. The Asian Development Bank has extended assistance for construction of additional 150 new centres and under the Third Family Planning and Population Control project the World Bank is expected to provide assistance for another 1000 welfare centres.

Government is determined to successfully implement the family planning programme. This will call for conscious attention and active cooperation of all sections of the Government and the society. Bangladesh has no alternative to significant reduction of the population growth rate in a planned manner. Successful population control will, in fact, be unavoidable for preserving our national existence. The recent statement of the President in this respect clearly reflects the importance and significance of all population control programmes and activities. It may be mentioned that the health, family planning and population control programme is enjoying active support in financial and non-financial terms from the largest number of bilateral and multilateral donors.

33. Other special features of the Annual Development Programme for 1985-86 are:

(a) Block allocation of Tk 425 crore in pursuance of the policy of speedy development and decentralisation of administration at the Zila and Upazila levels. This includes Tk 225 crore for construction of infrastructure and Tk 200 crore as development grant for the Upazilas.

(b) Similarly, Tk 12 crore has been allocated for development activities in the municipal areas of the country.

(c) Tk 47 cr has been allocated for the special development programme for the Chittagong Hill tracts area.

The target for distribution of fertilizer has been set at 14.83 lac tons which is roughly 15% more than the level for 1984-85. Taking into account expected domestic production and current import prices of fertilizer, an amount of Tk 46 crore has been allocated for subsidy compared to Tk 86 crore in 1984-85. It may be mentioned that the savings on fertilizer subsidy in 1985-86 will be almost nearly used for faster implementation of the Chittagong Urea Fertilizer factory. In the last three years, fertilizer off-take has increased on average by about 16%. Recent experiences show that the price which the farmers have to pay are in many cases above the prices fixed by the Government. What is important in the interest of the farmers is to make adequate quantity of fertilizer available at the right time. The BADC will ensure that adequate quantities of fertilizer are in stock in an area of the country at all times. In order to successfully

introduce and manage this arrangement, the public and private sectors have to play together an active role in fertilizer distribution.

34. For financing the Annual Development Programme, Tk 2000 crore will be available from disbursement of project aid and Tk 1825.72 crore will be available as local currency. Out of the latter, Tk 210.72 crore will come from the internal resources of several autonomous bodies and corporations and another Tk 15 crore will be raised through debentures by some organisations. The balance amount of Tk 1600 crore will come from Government revenue surplus, counterpart funds of commodity aid and sale proceeds of foodgrains in the open market. At this stage I would like to mention about mobilization of total resources for the ADP from the Government budget and other sources:

[Taka in crore]	
Revenue surplus based on existing taxes and duties .....	441.00
Net outcome of the non-development capital transactions .....	(-) 273.56
Overall outcome of the food budget .....	(-) 38.00
Extra budgetary resources .....	225.72
Power development Board .....	166.72
Other agencies .....	44.00
Debenture .....	15.00
Total internal resources .....	355.16
Receipts from disbursement of foreign aid	
Project aid .....	2000.00
Counterpart Funds of Commodity aid .....	1100.00
Sale proceeds of food aid .....	109.00
Total resources available for the Annual Development Programme .....	3564.16
Size of Annual Development Programme ....	3825.72
Gap in resources .....	261.56

35. This gap will be covered through a number of fiscal measures in the context of expected growth in production, progress of economic activities, growth in exports and imports and a stable monetary and price environment. The details of these measures will be mentioned in the second part of statement. At this stage I may mention that to cover a part of the gap in resources, Government will borrow funds from domestic non-bank sources such



as individuals and institutions, the amount for which has been fixed at Tk 65 crore. For this purpose Government will soon introduce a new Treasury Bond. It may be mentioned that in 1983-84 Government raised over Tk 200 crore by domestic borrowing through Special Treasury Bonds. But a major part of that came from investment by banks which in a way was of the nature of deficit financing. The new Treasury Bond will be made specially attractive for personal savings and for institutions. The remaining gap of Tk 195.56 crore will be raised through new fiscal measures.

#### The Monetary, Credit and Price Situation 1985-86

36. The economic outlook for 1985-86 has to be based on the budget, export and import policies, as well as investment policy. As usual, productive activities in the field of agriculture, industry and trade have to be supported by adequate bank credit. I would, therefore, like to say a few words on the monetary and credit situation.

Money supply increased by 28% and 41% respectively in the years 1982-83 and 1983-84. I have already mentioned that the monetary and credit situation reached a delicate stage in the second half of 1984 as a result of which the Central Bank had to take a number of measures in order to restrain credit expansion and money supply. The situation arose basically from excess credit expansion and inadequate recovery. The picture of credit expansion in recent years was as follows:-

<u>Year</u>	<u>Total Credit Expansion</u>	<u>Private Sector</u>
1982-83	793	+ 811
1983-84	2001	+ 1780
1984-85 (estimate)	2274	+ 1774

It will be clearly observed that most of the credit expansion in the last three years took place in the private sector. The public sector organisations took only a modest part of the overall bank credit--only about 11% in '83-84 and about 22% in '84-85, while Government remained practically neutral during these years. In some years, credit to the public sector and to the Government actually declined. This support to the private sector was a reflection of Government policy after the New Industrial Policy and the economic reforms of 1982-83 were introduced. However, percentage-wise credit expansion of 35%, 57% and 36.5% in the private sector over three consecutive years in the face of modest GDP growth rate and reasonable level of inflation, undoubtedly pose a potential threat to the price structure and calls for caution.

37. Expansion in both domestic credit and liquidity in 1984-85 also will exceed the revised monetary and credit programmes for the year. Expansion in liquidity during the year is now estimated at 21.7% against the projected



revised target of 14.5%. Domestic credit is estimated to show an increase of 23.2% against a target of 18.22% projected earlier. Excess domestic credit expansion as compared to the revised projections is likely to occur in the case of both public and private sectors. Total credit to the public sector organisations and private sector are now expected to expand by 19.1% and 36.5% respectively while Government will remain balanced due to strict discipline enforced in Government fiscal operations. Faster than projected increase in credit to the public sector is expected to occur mainly in the case of the Jute Mills Corporation reflecting increased financing required on account of sharp increase in prices of raw jute. The large expansion in credit to the private sector reflected much lower pace of recovery in respect of agricultural credit and credit to private shippers and traders of raw jute, and private sector jute mills.

38. The monetary and credit programme for 1985-86 has been drawn up keeping in view the expected increase in GDP, projected rate of inflation during the year and transactions in the foreign sector. Taking into account the unusual expansion of liquidity in the past years, safe limit for liquidity expansion has been set at 14.1% for 1985-86. Total expansion in domestic credit has been programmed at 13.5%. Net credit to the Government is expected to decline by Tk 190 crore (-8.2%) on account of retirement of 2-Year Special Bonds issued in the later half of 1983-84. Gross credit to the public sector organisations is expected to increase by about 18.6% giving a total expansion of only 7.1% in the public sector as a whole including Government compared to 10.1% in 1984-85 and 7.76% in 1983-84. Gross credit to the private sector will increase by 18.7% over the level of 1984-85. Over 76% of gross credit expansion in 1985-86 has been earmarked for the private sector. Repayment of overdue credits will provide additional access to the private sector during the year. There can be no doubt that due to the basic changes in the Export Policy for 1985-86, jute traders and millowners will be able to repay their outstanding credit in 1985-86.

39. The overall agricultural credit programme in 1984-85 was Tk 1150 crore. Disbursement by all the participating banks during the year is expected to reach this target, compared to Tk 1005 crore disbursed in the previous year. With increasing disbursement of agricultural credit, the quantum of overdues is going up. In the beginning of 1982-83, total outstanding credit was Tk 840 crore with an overdue amount of Tk 324 crore. In the beginning of 1984-85 total outstanding Agricultural credit was Tk 2077 cr including an amount of Tk 750 crore as overdues. Outstanding agricultural credit will amount to Tk 2800 crore with overdues of Tk 950 crores in the beginning of 1985-86. Though the percentage of overdues has slightly gone down, the absolute amount is a matter of concern.

The credit programme for 1985-86 provides Tk 1275 crore for the agricultural sector. Out of the total target, Tk 652 crore will be earmarked for crop financing compared to Tk 515 crore in 1984-85. For financing irrigation equipment, the programme for 1985-86 will be Tk 136 crore compared to Tk 100 crore in 1984-85. The rest will be for financing other activities including the tea sector and project loans. Accumulation of large overdues in the case of agricultural credit is a matter of great concern. Without

a satisfactory level of recovery it will be difficult for the banking system to maintain the level of agricultural credit operations. It is in the interest of increase in production in the sector as a whole that recoveries have to be brought up to a satisfactory level. Areas showing inadequate progress of recovery will naturally face a reduction in future programmes. In order to reduce irregularities and malpractice in this field, a new system of annual agricultural credit based on pass-books with simplified disbursement procedure has been introduced. This is expected to be completed by the end of September 1985.

40. Two other credit programmes which are helping the creation of rural employment, particularly in non-farm activities, are the Grameen Bank and the Swanirvor Credit Programme. The Grameen Bank has earned reputation both inside and outside the country as an innovative mechanism for lifting the quality of life of the landless and assetless people in the rural areas. The operation of the Grameen Bank during 1984-85 showed steady progress and the Bank opened 60 branches during the year, raising the total number of branches to 162. Their programme for fy 1985-86 in the several districts where their operations are currently limited is to open additional 98 branches. This is expected to cover additional 1000 villages. Total amount of loan disbursed by Grameen Bank during 1984-85 may reach a figure of Tk 40 crore compared to about Tk 20 crore disbursed in the previous year. The programme for 1985-86 has been fixed at about Tk 80 crore. This will be supported by assistance received from international organisations including the International Fund for Agricultural Development.

The Sawmirvor Credit Programme, operating with similar objectives of creating rural employment for the most disadvantaged group in the society, made steady progress during the year, and disbursement under the programme is expected to reach around Tk 21 crore during 1985-86. This credit programme has made noticeable impact in the areas of their operation including impact in the levels of literacy and family planning activities. Regular evaluation of the credit programme has added to its strength and capacity during the past two years. For fy 1985-86 disbursement under the programme is projected to increase noticeably. Government and the central bank are keeping a close watch on the programme and, if required, regular institutional support will be provided on the basis of progress during the year 1985-86.

41. At this stage, I would like to refer to the problems of industrial credit, a subject which has been discussed at some length during the year. There is no doubt that during 1984-85 the private sector responded satisfactorily to the package of incentives and facilities offered by the Government under the New Industrial Policy. This is evident from the higher number of industrial projects and amount of loans sanctioned including those by the major industrial financing institutions such as BSB and BSRS. However, the total disbursement this year at Tk 55 cr was lower than Tk 79 cr disbursed in 1983-84. The main reason is that the organisations suffered from liquidity constraint as recovery did not pick up as expected. Only Tk 61 cr out of a total overdues of Tk 413 cr in

the beginning of 1984-85 is expected to be realised during the year. Overdues at the end of the year may reach Tk 547 cr. This is alarming and, if the situation continues, the credit environment in the country and the capacity of financial institutions to help industrial investment will be seriously impaired. I consider it an important duty of the Government to bring change in the position in order to help hundreds of new entrepreneurs to make investment.

The Government have not been oblivious of the genuine problems of the industrial borrowers. In consideration of the difficulties faced by many borrowers due to changes in exchange rates, Government amended the Exchange Fluctuations Absorption Scheme providing substantial additional benefits. It is expected that borrowers will take advantage of this and come to arrangements with the financing institutions to clear up their dues. I am encouraged to learn that many borrowers have already started responding to these measures. Credit obligations have to be honoured within the provisions of legal agreements between the borrowers and the financing institutions. Government have already directed the financing institutions to adopt flexible and sympathetic approach in cases which have genuine difficulties.

42. At the same time, it must also be said that the financing institutions in the past have not been able to play their appropriate role for various reasons. Government have decided to reorganise and strengthen the BSB and BSRS to make them viable and effective institutions in the field of industrial finance. BSB will function as the major term-lending institution while BSRS will continue to limit its operations to financing projects already sanctioned by them and undertaking of BMRE of their existing portfolio. BSRS will gradually be transformed into an organisation to provide technical and management services for the industrial enterprises as well as industrial promotion, research and consultancy services.

43. On the basis of the measures taken and expectation about cooperation by the borrowers, Government expect that it should be possible to expand the activities of BSB and BSRS substantially in 1985-86. Several foreign exchange credit lines are in advanced stages of processing, and are expected to be available if the recovery rates improve. In 1983-84, total loan sanctioned by BSB and BSRS was Tk 151 cr. It declined to Tk 101 cr in 1984-85. It is expected that loans will be sanctioned in 1985-86 exceeding Tk 250 cr. Similarly, disbursement during 1985-86 is expected to go up to Tk 120 cr compared to only Tk 55 cr in 1984-85.

44. Bangladesh Krishi Bank is expected to continue the growth rate of its operations in 1985-86. But the recovery performance has slid back. At the beginning of 1984-85, BKB had outstanding loans amounting to Tk 1150 crore with an overdue amount of Tk 285 crore. At the end of the year the outstanding credit will be nearly Tk 1600 crore but the overdue amount is apprehended to go up to Tk 450 crore. During fy 85-86, BKB will have to take special measures for improving the recovery of overdue amounts. To cater to the need for agricultural credit for farmers of the different regions of the country and to help them increase agricultural productivity, it has been decided by the Government that eventually there would be three

more separate independent Krishi Banks, one in Khulna Division, one in Rajshahi Division and one in Chittagong Division. In the first phase a new Krishi Bank at Rajshahi Division will be established in 1985-86.

45. I have already mentioned that nationalised commercial banks have entered the field of term-lending in recent years. While this has been a welcome development, reports of overdues in their cases also are coming to light. This calls for caution and continuous monitoring and supervision of all such loans. In fact, it will be no exaggeration to say that in many cases default in payment of dues to the financing institutions for project loans and term-loans was due to inadequate supervision and monitoring by the concerned authorities of the institutions. In future, management of these organisations will take stronger administrative and disciplinary steps to ensure proper monitoring and supervision of such loans. It is in this context that Government have decided to link award of bonus to employees of financial institutions strictly with cash recovery of dues rather than with accounting profit on accrual basis.

46. The general price situation in the country recorded some deterioration during fy 83-84. Prices of a large number of essential consumer goods recorded sharp increase during that year and the general consumer price index registered an increase of 12.33%. The price situation during fy 84-85 also continued to remain under pressure. In the first nine months of the financial year, the average monthly growth rate of consumer price index was 1.2% signifying an annual increase of over 14%. In the final quarter of the year, however, the actual rates of price changes were lower when earlier trends. The latest estimates show that price rise during 1984-85 over 1983-84 will be close to 12%. The somewhat reduced pressure on prices compared to the previous year was due to several factors. First, the price impact of excess liquidity in the economy was allowed to be worked off through the foreign sector, particularly through the wage earners market, through increased importations of goods and services. Secondly, in spite of a short-fall in foodgrain production during 1984-85 due to unprecedented floods, substantial importation of foodgrains helped to increase supplies and thus moderate prices.

During 1985-86, it is estimated that prices will continue to remain under pressure, and can be contained only through higher production in agricultural and industrial sectors as well as imposition of discipline in the matter of bank credit expansion. On the basis of present projections, expected production of foodgrains, imports and expected increase in industrial production, inflation during 1985-86 is expected to remain close to the levels achieved in 1983-84 and 1984-85. There may be some threat of deterioration if production falters and import prices increase. Needless to say that unless the level of domestic inflation is kept under control, it will not be easy to maintain competitiveness of our exports in relation to our trading partners.



## PART I--ANNEXURE

## ANNEXURE I

## REVENUE RECEIPTS

[In crores of Taka]

Heads	Revised 1984-85	Budget 1985-86 (on existing basis)
<b>TAX REVENUE</b>		
Taxes on Income . . . . .	390.00	430.00
Customs duties . . . . .	1120.00	1160.00
Excise duties . . . . .	705.00	825.00
Sakes tax . . . . .	410.00	462.00
Land Revenue . . . . .	40.00	40.00
Other Taxes and Duties . . . . .	32.00	44.00
<b>Total -- Tax Revenue</b>	<b>2697.00</b>	<b>2961.00</b>



Heads	Revised 1984-85	Budget 1985-86 (on existing basis)
NON-TAX REVENUE		
Stamps (Non-Judicial) . . . . .	110.00	115.00
Registration . . . . .	40.00	42.00
Dividend and Profit from Public Financial Institutions . . . . .	222.54	155.96
Dividend and Profit from Non-Financial Public Enterprises . . . . .	60.00	85.00
Interest Income . . . . .	140.00	170.00
Railway (Net) . . . . .	(-) 29.80	(-) 25.50
Post Office Department (Net) . . . . .	(-) 16.79	(-) 18.28
Telegraph and Telephone (Net) . . . . .	24.67	32.91
Other Receipts . . . . .	229.38	235.91
Total--Non-tax Revenue	780.00	893.00
Total -- Revenue	3477.00	3754.00

## ANNEXURE 2

### REVENUE EXPENDITURE

[In crores of Taka]

Heads	Revised 1984-85	Budget 1985-86
Organs of Government . . . . .	17.56	10.71
Administration of Justice . . . . .	20.43	22.67
Audit . . . . .	16.51	24.37
Fiscal Services . . . . .	85.50	96.50

Secretariat . . . . .	43.66	43.74
Foreign Affairs . . . . .	39.80	45.72
General Administration, Public Order and Safety (Including Police and BDR) . . . .	390.52	379.62
Defence . . . . .	492.74	501.18
Education . . . . .	492.72	487.44
Health and Population Control . . . . .	159.76	129.34
Pension and Retirement Benefit . . . . .	60.73	68.51
Social and Community Services . . . . .	263.86	168.71
General Economic Services . . . . .	30.52	25.10
Agriculture and Allied Services . . . . .	75.46	44.23
Industries and Mining . . . . .	8.48	8.75
Water and Energy . . . . .	34.00	34.00
Transport and Communication (excluding Railways) . . . . .	50.77	54.43
Subsidies . . . . .	264.85	203.78
Grants-in-aid, Contributions . . . . .	60.54	179.61
Interest on Debt . . . . .	318.30	392.59
Unexpected Expenditure . . . . .	3.29	392.00
 Total--Revenue Expenditure	 2930.00	 3313.00

## ANNEXURE 3

## Annual Development Programme

[In crores of Taka]

Sectors	Revised 1984-85	Budget 1985-86
Agriculture . . . . .	314.12	218.80
(a) Rural Development . . . . .	98.28	100.92
(b) Divisional Development Board . . . . .	11.93	8.75
Flood Control and Water Resources . . . . .	514.65	409.49
Industries . . . . .	239.79	473.82
Power . . . . .	582.92	586.95
Natural Resources . . . . .	256.31	196.66
Scientific and Technological Research . . . . .	11.55	9.06
Transport . . . . .	227.12	274.71
Communication . . . . .	60.55	56.12
Mass Communication . . . . .	9.46	6.22
Housing and Physical Planning . . . . .	108.17	96.91
Education and Religion . . . . .	128.82	165.13
Sports and Culture . . . . .	12.63	11.38
Public Administration . . . . .	15.97	17.34
Health . . . . .	99.24	75.75
Population and Family Planning . . . . .	110.98	128.74
Social Welfare, Women Affairs and Youth Development . . . . .	18.34	14.96
Labour and Manpower . . . . .	20.15	11.52
Lump for Development of Upazilla Infra- structure and Assistance to Upazilla Parishad . . . . .	423.00	425.00

Technical Assistance (lump) . . . . .	35.00	25.00
Development Assistance to the Municipalities. . .	9.40	12.00
Customs Duty and Sales Tax (lump) . . . . .	20.00	20.00
Chittagong Hill Tracts Development Programme. . .	50.00	47.00
Technical Assistance Programme . . . . .	49.10	76.16
Self-finance Schemes of Autonomous Bodies . . . .	80.94	357.33
<b>Total . . . . .</b>	<b>3508.42</b>	<b>3825.72</b>

#### ANNEXURE 4

#### Financing of Annual Development Programme

[In crores of Taka]

	Revised 1984-85	Budget 1985-86
<b>1. Domestic Resources:</b>		
<b>Budgetary Resources:</b>		
Revenue surplus . . . . .	547.00	441.00
New Measures . . . . .	---	196.56
Net Domestic Capital (Net) . . . . .	(-) 99.58	(-) 273.56
Non-Bank Borrowing . . . . .	---	65.00
Net Resource from Food Account . . . . .	240.00	(-) 38.00
<b>Extra Budgetary Resources</b>		
(a) Debenture of autonomous bodies . . . . .	96.00	15.00
(b) Self-financing by autonomous bodies . . .	78.00	210.72
(c) Accumulated balances of autonomous bodies . . . . .	29.00	---
<b>Total Domestic Resources ...</b>	<b>890.42</b>	<b>616.72</b>

## 2. External Assistance:

Project Assistance . . . . .	1561.00	2000.00
Counterpart Fund of Commodity Aid . . . . .	965.00	1100.00
Proceeds from open market sale of food . . . . .	92.00	109.00
	<hr/>	
Total External Assistance . . . . .	2618.00	3209.80
	<hr/>	
Total Resources Available (1 + 2) . . . . .	3508.42	3825.72
	<hr/>	
Total Annual Development Programme . . . . .	3508.42	3825.72
	<hr/>	

## FISCAL MEASURES

I would now turn to the fiscal policy measures for 1985-86. Keeping in view the need for providing adequate incentives at the same time ensuring socio-economic justice, as also to provide for a viable and rational revenue base, increased emphasis on direct taxes for raising additional resources will be one of the principal objectives of the new fiscal policy. In the sphere of indirect taxes, increased reliance will continue to be placed on domestic output related duties and taxes rather than import-based revenue. This policy will change the revenue structure significantly. Efforts have been made to ensure that tax burden is shared equitably, tax collection becomes simpler and dynamic. In the interest of overall economic growth, fiscal policy is also being applied for augmenting production and for generation of increased employment opportunities. Fiscal policy has also been designed to aid price stabilization which is a prerequisite for providing a conducive environment for growth. Needless to say, these policy objectives are not always complementary. On the contrary, at times they tend to be conflicting, especially so when mobilisation of additional resources becomes imperative to fund development activities. However, within these constraints a sincere effort has been made to evolve an integrated approach on these policy objectives in formulating next year's fiscal measures.

### Import Duty:

2. Policy was initiated last year to utilize the import duty as a tool for accelerating industrial growth and not merely as a means for collecting revenue. We have not only retained this approach but have further extended its coverage. Increasing revenue through achieving higher growth rate and output has come to be recognised as a guiding principle of our fiscal measures. In pursuance of this, import tariffs on a large number of items have been realigned.



3. In formulating budgetary proposals regarding import duty, the following principles have been kept in view:

- (a) to protect the legitimate interests of domestic industry;
- (b) to provide incentive to the local entrepreneurs to increase production;
- (c) to extend all-out support to exports;
- (d) to safeguard consumer interests;
- (e) to rationalise and where possible, reduce tariff on imported raw materials, to maintain price stability;
- (f) to increase revenue; and
- (g) to remove tariff anomalies.

4. Measures adopted for assisting industries for increasing output are detailed below:

(a) The concessionary rates of 2-1/2% and 15% on imported capital machinery were fixed with a view to accelerating industrialization. This has achieved a degree of success. But at the same time, it has engendered certain unwelcome and even harmful trends. The relatively low duty rate is acting as an inducement to most of the entrepreneurs to set up industries in developed areas. Consequently, the objective of dispersal of industries to less developed areas remains unrealised. Further, there are quite a few instances where sanctions were obtained for setting up industrial units in less developed areas and accordingly concessionary duty of 2-1/2% was duly availed of, but the unit was actually established in a developed area. Duty concession is also now emerging as an impediment to the growth of indigenous engineering industry. It is also encouraging installation of capital intensive rather than labour intensive industry. The situation calls for immediate remedial measures. Accordingly, the concessionary rates for machinery have been realigned at 2-1/2%, 10% and 20% for the least developed, less developed and developed areas respectively. At the same time, the procedure of customs clearance of such goods has been simplified and liberalised. As a result of these measures, the process of industrialization in the least developed and less developed areas will be encouraged and the local engineering industry will also find a new base for survival and growth. The Ministry of Industries will separately notify the coverage of least developed and less developed areas.

(b) In the face of irregular power supply, standby generator has proved to be an extremely useful alternative for maintaining production. In consideration of this, duty on the item has been reduced to 2-1/2% from the existing 20%.

(c) With a view to providing incentive to domestic production, customs duty on shoe last has been reduced to 50% from 150%, that on filter paper cut-to-size to 100% from 150%, on button blank to 20% from 50%, on graphite electrode to 50% from 100%, on fire bricks, lining and refractory articles to 50% from 150%, on drafting zone imported by Bangladesh Machine Tools Factory to 2-1/2% from 15%, on tucks and tagy tapes for manufacturing blades to 50% from 150%, on ingots and slab ingots to 20% from 50%, on quartz to 20% from 50%, on bleached mercerised sewing thread in hanks to 20% from 50% and on watches imported in completely knocked-down condition to 50% from 100%.

(d) To make the local products competitive with the imported ones, customs duty on pums has been raised from 50% to 100%, on umbrella ribs from 75% to 100%, on bicycle tyre from 100% to 150%, on ball point pen from 50% to 100%, on television from 50% to 75% and from 75% to 100% for black and white and coloured sets respectively, on V-belt from 2-1/2%, 15% and 50% to 150%, single count yarn from 20% and 35% to a uniform rate of 35%. Concessionary rates of 2-1/2%, 15% and 50% on single phase electric metre have been withdrawn rendering the item subject to duty at the uniform rate of 50%.

(e) Construction activities play an important role in the development process. Grey portland cement is an indispensable construction material. Customs duty and sales tax on grey portland cement was fixed at 5% and 10% respectively with a view to keeping development cost low. However, these low rates have placed the indigeneous cement industry on a footing of unequal competition with imported cement. In order to provide some relief to the local cement factories, customs duty on imported grey portland cement has been increased to 20% from the existing rate of 5%. At the same time, the existing sales tax on the item is withdrawn.

(f) Huge quantity of powder milk is imported every year. As a daily consumption item, a nominal customs duty was being realised from imported powder milk with full exemption from sales tax. Domestic milk producers are facing acute problem on account of this low duty structure. It may be mentioned that in addition to some indigenous farms and co-operative societies, many poor farmers also sell milk. Their legitimate interests need to be protected. To strike an equitable balance between these competing interests, a regulatory duty of 2-1/2% in addition to the existing duty of 5% has been imposed on tinned milk powder. On powder milk imported in bulk, in addition to the existing 10% customs duty, sales tax at the rate of 10% has been imposed.

(g) Some of the raw materials of pharmaceutical industry are being produced in the country. This is encouraging and deserves further incentive. Accordingly, to allow for local production at competitive price, imported raw materials of paracetamol have been accorded a concessionary rate of 5% and the sales tax withdrawn. On similar considerations, the concessionary rates applicable on starch, liquid glucose and dextrose monohydrate have been withdrawn, making these subject to the normal rates of 50% and 100%.

5. Exemption from duty of life saving drugs has been extended to toxin, sera and drugs for cardiovascular diseases. Duty on E.D.G. recording paper has been reduced to 20% from 150% and 100%.

6. In order to keep cost of education, research and medical treatment low, duties on telescope, microscope and parts thereof have been unified at the lower rate of 20% by reducing the same from 20%, 50% and 100%. Besides, the duty on epidioscope and shadowless operation lamp and parts thereof has been lowered to 50% from 150%. The duties on office equipments such as calculator, English typewriter, duplicating machine and parts thereof have been reduced to 20% and 50% from the existing rates of 50% and 100% respectively.

7. Exemption from customs duty and sales tax of dry chillies, onion and turmeric has been extended till 30th September, 1985.

8. A sound transport system is an indispensable infrastructure for sustained economic uplift. Moreover, it can also play an important role in taking the fruits of development to the doorsteps of the people. Keeping this in view, some fiscal measures have been taken to encourage the transport sector. It is expected that these steps will make immediate and effective contribution towards easing problems of transportation. The measures are as follows:-

(a) In order to help make the inland water transport system more extensive and effective, duties on a wide range of equipment and accessories have been brought down to 50%. However, duty rate on items having wide alternative use has been unified at 100% as against the existing rates exceeding 100%. Similar tariff concessions have also been extended to deep sea fishing trawlers.

(b) To cater to transportation requirements of a growing population, road transport needs to be expanded. In consideration thereof, cars run on petrol have been brought within the purview of concessionary rate of 50% customs duty when used as taxi-cabs. Further, petrol run taxi-cab has been made sales tax free. Taxi-cabs run on diesel, however, will continue to pay 50% customs duty plus 20% sales tax as before. Cars having engine capacity of more than 1300 c.c. will not qualify for concessionary duty as taxi-cab. It may also be added here that sales tax on coaster (mini bus) has been withdrawn.

(c) A substantial quantity of fuel imported with scarce foreign currency is consumed in the transport sector. Considerable saving of foreign exchange can be effected if transport vehicles switch to gas from diesel or petrol. In order to facilitate such switch-over, customs duty and sales tax on equipment required for conversions to gas system, namely, carburettor mixture, cylinder and compressor, have been completely withdrawn, subject to fulfilment of certain conditions.

9. There is sufficient justification for prohibiting or limiting import of the articles production of which are adequate in the country. In order to discourage import of such items, regulatory duty has been imposed in air-conditioning machine, insulator, shoe lace, electric motor, centrifugal pump, stappling pin, cycle rim and handle bar, sewing thread in hanks, G.P. sheet, ball point pen and wooden pencil up to certain value, and G.I. pipe up to 8" diameter.

10. Many assembling industries were set up on condition that they would go for progressive manufacture within the country. The case of television assembling industry could be cited as an example. Such industries have been accorded concessionary rates of duty as an incentive to manufacture components in the country. In practice, however, hardly any progress has been made in this direction. Such a situation cannot be allowed to continue indefinitely. As a remedial step, in the next fiscal year, duty on completely knocked-down

television has been increased to 10% from 5%. For similar reasons, duty on motorcycles imported in completely knocked down condition has been unified at the higher rate of 10% from the existing rates of 5% and 10%. Government will be constrained to withdraw all such concessionary rates of duty if no progress is made in the manufacture of components locally. At the same time, customs duties on built-up television sets and motorcycles have been enhanced so that such domestic industries can compete with imported goods.

11. Possibility of avoidable imports arises when changes in the Import Policy renders new items eligible for import. In order to discourage such imports, it has been decided that from the 1st of July, 1985, regulatory duty equal to 25% of the statutory rates shall be imposed in addition to the normal duty on items (with waiver in exceptional cases) which are not permissible for import under the Import Policy for 1984-85 but will become importable in the Import Policy for 1985-86.

12. For quite some time, trade have been advocating for basic reforms in the legal provisions for fixing value for assessment of customs duty. The issue is under close scrutiny of the Government now. The pros and cons of adoption of "Transaction Value" as the basis for customs valuation is now under examination. At the same time, as per customs records, instances of gross under-valuation abound. Considering these circumstances, it has now been decided that to minimise confusion and valuation disputes, a Consultative Committee comprising of representatives of trade and industry will be formed to advise the Controller of Customs Valuation. At the same time, to counter gross under-valuation of imported goods, section 25 of the Customs Act has been suitably amended enabling the customs authority to purchase such under-valued goods at the declared value.

13. Over the last two years, many procedural changes and improvements have been brought about in the Customs, resulting in the elimination of many delays and complications. Basic changes in the customs refund procedure has resulted in expeditious disposal of refund cases. In fiscal year 1983-84, the total amount of customs refund came to Taka 13 (thirteen) crores. The figure rose to Tk 26 (twenty six) crores in the first eleven months of the current fiscal year. Exporters have mainly benefited from this. In this context, it can also be mentioned here that in order to assist exporters, an Export Assistance Cell has been set up in the National Board of Revenue. At the Custom Houses, Consultative Committees have been formed and Information Centres have been set up.

14. Passengers Baggage Rules have been revised to speed up and ease customs clearance process. Now the items that can be brought by passengers have been identified and listed. The duty free articles brought for personal use of the passengers have been listed separately. Gift items also would continue to be allowed duty free entry. Apart from these, no other articles can be brought under the Baggage Rules free of duty. A list of articles which can be brought on payment of customs duty under the Baggage Rules has been prepared and rates of duties specified. Except articles authorised by the special provisions of the Baggage Rules, no articles outside these lists can be brought under the Baggage Rules. Notifications regarding the amended Baggage Rules have been issued. The lists are given in Annexure 'A.' I hope these changes will eliminate grounds for confusion and misunderstanding.



#### Tariff Value:

15. To facilitate customs clearance, to maintain price stability and to remove controversy, tariff value of certain items fixed earlier have been brought at par with their international prices. Tariff value has been fixed for some new items and withdrawn for others. In some cases, the existing tariff values have been retained.

16. In addition to the measures I have enumerated so far, certain other effective steps have also been taken to simplify and rationalise customs duty rates and remove anomalies in the existing duty structure. It is hoped that these measures also will contribute positively towards simplification of customs procedure relating to import and export, and benefit the economy in general. I do not wish to prolong my presentation on detailed descriptions of all the measures. However, these details have been listed at Annexure 'A'.

#### Export Duty:

17. (a) Tea price is showing a downward trend in the international market. Export duty on tea is withdrawn to help expansion of export market for our tea.

(b) The three rates of 2-1/2%, 5% and 10% for export duty on wet blue leather have been merged into a single rate of 5%.

(c) There are a number of small industrial concerns in the country which can play a significant role in promoting export of non-traditional items. Ladies' hand bags and similar other leather goods can be cited as examples. In order to attain export quality for their products, they need to import some special raw materials and parts. They also need specialised tools and equipment. As small entrepreneurs, they are often unable to arrange import of these articles individually. To cater to the needs of such manufactures and to encourage export of non-traditional items, it has been decided that customs authorities will allow clearance of such raw materials and articles free of duty under bonded warehouse system provided organisations like TCB or BSCIC undertake the responsibility of maintaining such a warehouse. Such an arrangement could create a ready reserve of raw materials and small tools for processing small but attractive items for export. Ultimately this may help expand our export market.

#### Sales Tax:

18. Sales tax on a number of articles have been withdrawn or reduced to help increase production, reduce the cost of scientific, educational and medical instruments and also to bring down import cost of public transport vehicles. In some cases sales tax rate has been enhanced. Among the measures taken with regard to sales tax, I particularly wish to mention the efforts made to keep the price of M.S. Rods, which has wide use in construction work, stable at a reasonable level. Similarly, certain measures have been



adopted to keep the transport cost low and help expand the transport network. Among these measures, I mentioned earlier the abolition of sales tax on taxi run on petrol. A detailed description of measures relating to sales tax has been listed in Annexure 'A'.

#### Excise duty:

19. Self-clearance system, which is designed to simplify and update excise duty collection procedure, became fully operational since 1st January this year. The positive response and co-operation received from concerned quarters is encouraging. I hope that the factory owners will continue to show the same sense of responsibility in future as well. It is our experience that this system has been helpful both to the entrepreneurs and the revenue authorities and with the removal of complexities, revenue collection work has become smooth and easier.

20. Efforts to streamline excise duty collection system and to rationalise duty structure are being carried forward this year also. For the purpose of raising more revenue through excise, the rates of duty has been enhanced only on those items which can bear additional tax burden.

21. Gas is one of our principal natural resources. The present price of gas is much lower compared to other sources of energy. As such, the price of gas is raised by 20 percent. Of this increased price, 90 percent will go to the exchequer as excise duty and the remaining 10 percent will help generate more income for the gas companies. Consequent upon the rise, the price increase for electricity will be around three and a half poisha per kilowatt hour and for fertilizer, the increase will be four taka thirty-eight poisha per maund. Gas bill for domestic single burners will rise from taka 45 to taka 60 and for two burners from taka 80 to taka 100. Besides, gas price per million cubic feet will rise by taka 7.20, taka 9.04 and taka 10.20 for industrial, commercial and seasonal gas connections, respectively.

22. Cigarette is one of the main sources of excise revenue. However, rising production cost and existing duty structure has given rise to some problems both for duty collection and the industry's growth. It is also true that cigarettes in sticks, even in packets, are sold in the market at prices higher than the retail prices printed on the packets. With a view to removing such anomalies, the tax slabs on cigarettes have been restructured completely. Duty rationalisation will help cigarettes sell in the market at the printed retail price. Under these circumstances, government expects that cigarettes will actually sell in the market at the printed retail price. Excise department will also keep an eye on the actual selling price of cigarettes in the market.

23. The rate of duty on biri is comparatively low. As such, excise duty on biris is refixed at taka 14.80 per thousand sticks in place of the present taka 13.20. As a result, excise duty per packet of biri will increase by 4 poisha only.

24. Excise duty collection procedure on cinema halls has been changed from affixation of stamps on tickets to fixation of capacity of halls since October '83. In the meantime, following decentralisation of administration, introduction of upazila system and the conversion of the former sub-divisional towns into district headquarters, duty rates for the outlying areas have become unrealistic. With the changed situation, need to refix capacity for some areas has become necessary. As such, the present five percent capacity rate for rural areas is refixed at ten percent. Capacity rate is refixed at twenty percent for those district towns which, at present, have ten percent capacity rate. The rate of duty applicable to municipal areas will henceforth be applicable in areas extending up to one kilometre from the boundaries of the respective municipal areas.

25. Present rate of excise duty on match is insignificant. The duty on match is raised from Taka three to Taka five per gross. Excise duty on each match-box will now go up by less than one and a half poisha.

26. The present rate of duty on medicine is only 5 percent. The pharmaceutical industry has reached a stage of high profitability. It can now bear more tax burden. As such, duty on medicine has been raised from the present 5 percent to 10 percent.

27. Selling price of bricks burnt on gas or on coal or wood is same, but the production cost of gas-burnt bricks is much lower. To make duty on bricks more equitable, excise duty on gas-burnt bricks is raised uniformly to take one hundred per thousand bricks from the present rates of taka twenty and twenty-five. Rate of duty applicable to coal or wood-burnt bricks will remain unchanged. Optional duty rate of taka 12,000 is raised to taka 60,000 per section for gas-burnt bricks. With this change, the cost of gas-burnt bricks and coal or wood-burnt bricks will come to more or less the same level. As such, with the increase of duty on gas-burnt bricks, there is no reason for increase in the price of this type of bricks. If there is any indication of increase in price of gas-burnt bricks, government will be constrained to reconsider if there is any justification to continue to supply gas for burning bricks. In order to ensure proper collection of duty on bricks, no bills for bricks will henceforth be paid by any government, semi-government or autonomous bodies unless proof of payment of excise duty on bricks is produced.

28. Regulatory duty at the rate of 2 percent was imposed last year on 18 goods and services, validity of which expires on 30th June '85. Regulatory duty will remain in force in the next financial year also. In addition, regulatory duty at the rate of 2 percent is imposed on glass-sheet. If the regulatory duty comes to less than five poisha on actual calculation, it will be rounded off to the next five poisha. It may be mentioned here that there will be no separate regulatory duty on cigarettes consequent upon change of excise duty on this item.

29. Excise duty at the rate of 50 poisha per foot is presently levied on prints and reprints of cinematographic films. In order to stop leakage of revenue and to simplify collection procedure, excise duty at the rate of one lakh taka is fixed on each cinematographic film. No additional excise duty will be levied on prints or reprints on footage basis.

30. Although soap, liquid soap and detergent are other, different excise duty rates of 5 percent, 10 percent and 20 percent are levied on them at present. All these rates have now been unified at 5 percent.

31. Oxygen, nitrousoxide and acetylene gas are used both in industry and for medical purpose. As the rate of excise duty on medicine has been refixed at 10 percent, excise duty rate on these items is also reduced to 10 percent if used for medical purposes. The existing rate of 20% on oxygen, nitrousoxide, carbondioxide and acetylene gas will remain unchanged if used for industrial purposes.

32. With the reduction of price of cement in the international market and the increase in price of imported limestone, the locally produced cement based on limestone is facing a crisis. To remedy the situation, excise duty on limestone based cement produced locally is reduced from Tk 500 per metric ton to Tk 203 per metric ton.

33. As a measure of rationalisation, excise duty on radio is converted from specific duty to 10 percent of retail price. Exemption on protein-rich soyaprotein biscuit will continue in the next fiscal year also. Excise duty on manually made bus-body is withdrawn. The existing duty on wool and woolen products is converted from 10 percent of the retail price of 10 percent ad valorem.

34. The definition of cottage industry is widened with a view to bringing more small-scale industries within the exemption limit. The upper limits of exemption on capital investment and the number of employees are refixed from Taka fifty thousand to Taka one lakh, and from ten persons to fifteen persons respectively. This definition will also be applicable in the case of income tax. It is expected that this measure will increase employment in cottage industries.

#### Direct Tax:

35. Income tax is the principal source of direct tax. A number of changes have been brought in this field. The objectives of the changes are to rationalise the tax incidence, simplify tax calculation, help promote savings and investments, to use the tax measures to encourage higher production, to generate employment to broaden the scope for economic activities and to stimulate capital formation through entrepreneurial initiative.

36. I now proceed to outline the measures in brief.

Income Tax:

37. (a) In view of increase in the cost of living, the exemption limit of income has been raised from Tl 20,000 to Tk 30,000.

(b) Tax rates have been restructured and tax has been reduced at every slab. In the new rate schedule, the highest rate has been lowered from 60% to 50% for assesseees other than companies and registered firms. The existing nine slabs have been reduced to five and at the same time, procedure of tax calculation has been simplified. In this new rate structure, the tax burden of assesseees at all levels will be substantially reduced. A comparative statement of tax payable under existing and new rates is given in Annexure 'C'.

(c) In respect of registered firms, the highest tax rate of 30% has been lowered to 25%, slabs in the rate schedule have been reduced from six to five, and the procedure of tax calculation also has been simplified.

38. Government expects that the assesseees will take full advantage of the favourable situation resulting from reduction of tax rates and rationalisation of the tax system. These measures, it is hoped, will inspire higher tax compliance and help make up the revenue loss resulting from reduction of tax rates.

39. To encourage higher production and consequently generate additional employment opportunities, a system of tax rebate has been provided for companies. If the volume of production increases by more than fifteen percent over the preceding year, a rebate of 2-1/2% in tax will be allowed. This rebate will be 5% if the volume of production increases by more than 25% over the preceding year.

40. Provision has been made for rebate of 25% of tax attributable to income from passenger buses and launches. It is hoped that the new measure will induce more investment in these sectors and help improve facilities provided to the passengers.

41. The upper limit of income which can be declared under the Self Assessment Scheme has been raised from Tk 1,00,000 to Tk 1,25,000. The existing limit for induction of capital up to one lakh taka by new assesseees engaged in business or profession without any questions being asked, has been raised to 5 lakh taka for the assessment year 1985-86. It is hoped that this measure will encourage new assesseees to come forward for payment of tax.

42. At present, assesseees with income exceeding Tk 50,000 are required to compulsorily submit statement of assets, liabilities and expenses. This limit has been enhanced to Tk 80,000 in view of raising of the exemption limit of income from Tk 20,000 to Tk 30,000.



43. New industrial undertakings set up within 30-6-85 are now entitled to tax holiday. This facility has been extended for another five years up to 30-6-90. The period of tax holiday has been fixed at 9 years for the least developed areas, 6 years for less developed and 4 years for developed areas. The tax holiday period for Special Economic Zone shall, however, continue to be 12 years. The rates of reinvestment of profit under this scheme have been fixed at 30% for developed, 15% for less developed and 5% for least developed areas and Special Economic Zone.

44. The existing tax concessions for newly constructed residential houses have been extended up to 30-6-90.

45. Capital gain arising from transfer of land or building towards equity of a new industrial company has been exempted from tax.

46. Capital gains arising from transfer of land or building which is invested in the purchase of new shares quoted on the Stock Exchange has been exempted from tax.

47. To encourage formation of new companies, capital gain arising out of a process of transformation of a firm into a company has also been exempted from tax.

48. To encourage investment in shares and stimulate savings through banks, the exemption limits of dividend and interest from bank deposits have been raised from Tk 5,000 to Tk 15,000. Similar benefit has also been extended to the Islamic banks.

49. To encourage literary work of a creative nature, income from such literary work has been totally exempted.

50. Due to increase in the price, the value limit for the purpose of depreciation allowance of motor vehicles not plying for hire, has been raised from Tk 1,50,000 to Tk 2,00,000.

51. To widen the scope of Publicly Traded Companies, it has been decided to make available the concessionary rate of tax, i.e., income tax at the rate of 45%, to the existing companies also, subject to conversion into Publicly Traded Companies on fulfilment of prescribed conditions.

52 (a) At present, interest income on fixed deposits in banks is not fully taxed. In order to correct this situation, provision has been made for deduction of advance tax at the rate of 10% from interest payable on fixed deposits in banks, if the amount of such deposit exceeds Tk 40,000. Similar provision has been made in respect of profits payable on term deposits of Islamic banks.

(b) A tendency to evade tax through effecting import at times in different names is being observed. To curb this tendency, it has been decided to collect tax in advance at the rate of 2% of the import value in respect of certain selected items. These items are (1) Palm oil,



(2) Salt, (3) Old clothings, (4) Sugar, (5) Spices, (6) Betel nut, (7) Cement, (8) Iron and Steel Products (excepting billets), (9) Cloth (Textile Fabrics), (10) Vehicles like truck, bus, motor cars, etc.

53. The tax deducted provisionally as stated above will be adjusted against tax liability of an assessee after completion of his assessment. If the assessment results in refund, the amount will be refunded promptly after the assessment is finalised. It may be mentioned that the procedure of refund has also been simplified. In consequence, refund will be made within 90 days of submission of return under Self Assessment Scheme, and in other cases within 60 days of the completion of an assessment.

54. Rules are required to be framed in pursuance of section (30) (f) of the Income Tax Ordinance, 1984, for specifying the extent of allowable business expenses on (a) foreign travel for holidaying and recreation by employees and their dependents (b) publicity and advertisement and (c) distribution of free samples. Accordingly, rules are being made with regard to these expenses.

55. A terminal date for determining the liability for payment of advance tax has been specified through an amendment of the Income Tax Ordinance. Public Limited Company Public Company and Industrial Company have been defined.

56. In many cases, small traders and persons engaged in various professions or having income from agriculture are either not paying any tax or the correct amount of tax for various reasons. For the purpose of simplification of assessment and collection of taxes in case of such assessee, the possibility of introducing 'Presumptive Tax' is being examined. This system is prevalent in a number of developing countries. The correct accounts maintained by the assessee may be the basis for computation of his income and if no such accounts are maintained, 'Presumptive tax' may be a substitute. Experts are of the opinion that if introduced, this will lead to substantial increase in the number of assessee and hence collection of direct tax.

57. A special two-year programme was taken up last year to augment collection of income tax. Despite handicaps, through survey work and other measures taken under this programme, many new assessee are being brought within the tax orbit. In some cases, investigation to establish tax evasion is in progress and court cases are being instituted.

#### Gift Tax:

58. It has been decided to repeal the Gift Tax Act, 1963. There seems little rationale for subjecting gifts to tax in the hands of the person who is making gift as there is no material gain to him in the act of gifting. Repeal of gift tax will also reduce multiplicity of taxes.

59. However, necessary amendments have been made in the Income Tax Ordinance, 1984 to forestal a taxpayer from making gift in order to avoid his Income Tax liability.

#### Wealth Tax:

60. For wealth tax purposes, net taxable wealth is arrived at by deducting, among others, the value of agricultural and up to one lakh taka from gross wealth. This deductible limit was introduced in 1969. Taking the present price level into consideration, it has been decided to raise this limit to three lakh taka.

#### Stamp duty:

61. In order to check the malpractice of payment of lower stamp duty by transferring property through more than one deed of conveyance, section 28 of the Stamp Act 1899 was amended in 1984. The amendment provided that in case of transfer within a period of 12 months by splitting the deeds, stamp duty shall be payable on the basis of total value of all such deeds. This has resulted in substantial improvement in revenue collection through stamp duty. However, it is reported that in order to evade payment of correct amount of duty, certain elements are still splitting deeds but are having these registered at different Registration Offices. It has been decided to counter this malpractice through appropriate amendments in the Registration Act.

#### Rate of Stamp duty:

62. At present there are 5 slabs of stamp duty of 6%, 9%, 12%, 15% and 17-1/2%. As will be seen, the difference in the rates is 3% in each slab except the highest one. This is anomalous. The highest slab of 17-1/2% has been raised to 18% to remove this anomaly.

#### Exemption of Stamp duty:

63. Payment of stamp duty has been exempted on transfer of land owned by an entrepreneur by way of equity participation only to a limited company incorporated for setting up industry.

#### Copy stamp:

64. Existing price of copy stamp in use in the country is forty paisa only. This rate had been in force for the last nine years. The price of copy stamps has been raised to Tk 2.00 to keep pace with the present situation.

#### Airport Visitor's Fee:

65. Maintenance of the concourse halls and vistors' galleries at Dhaka, Sylhet and Chittagong airports has become quite expensive. The income realised by way of fees paid by visitors is quite insufficient to meet the actual expenditure incurred in running the concourse halls and visitors'

galleries in the above airports. In order to reduce the gap between income and expenditure, the entry fees have been increased. The increased fees will be Dhaka Zia International Airport, Hall Tk 10 and gallery Tk 5. For Sylhet and Chittagong Airports, Hall Tk 5 and gallery Tk 2.

#### Passport Fee:

66. The existing fee for issue and renewal of passports has remained low while the administrative expenditure has been on the increase. Accordingly, the fees to be charged within the country has been increased in general by 50% and that to be collected by the Bangladesh Missions abroad by 100% in general. Details have been given at Annexure 'D'.

#### Land Revenue:

67. Collection of land revenue during the last few years has been below the target. On the other hand, the administrative expenditure in collection has been increasing. Considering the present price of land and income derived therefrom, it is quite reasonable to increase the land development tax. The amount of tax from agricultural land should be brought to a satisfactory level as early as possible by making the present tax collection arrangement realistic. Non-agricultural land has appreciated substantially in value over the past years. But the tax on land has not been increased proportionately. The rate of land development tax on such land has been enhanced in conformity with the present valuation of land. Therefore, for the present the rate of land development tax on non-agricultural land has been modified to collect additional revenue in consideration of the increase in land value. The tax of Taka 60 per decimal has been raised to Taka 100 in respect of land used for industrial and commercial purposes in 29 specified Upazillas of Dhaka, Chittagong and Khulna. Tax of Taka 12 per decimal has been raised to Taka 20 per decimal in respect of land used for residential and other purposes. Similarly, land development tax on non-agricultural land in the municipal areas of old district towns and other areas has been raised by 50% to 100% according to use. It may be mentioned that the existing maximum rate for these areas (for land used for industrial and commercial purposes) is Taka 10 per decimal and the minimum rate is Taka 3 per decimal. Upward revision of these rates should bring an additional revenue of Taka 9.58 crores.

68. Tea gardens have been making substantial profit during the last several years. On the other hand, export duty on tea has been remitted. Considering all these aspects, land development tax on agricultural land in tea gardens has been raised from 75 paisa per decimal to Taka 1.10 paisa per decimal. This should increase the revenue collection by Taka 98 lakhs. Details of land development tax have been given at Annexure 'D'.

#### Railway:

69. The deficit of Taka 23.00 crores in the original railway budget for 1984-85 has risen to Taka 29.08 crores in the revised budget. Operational cost of railway will also increase substantially during 1985-86 due to

increase in the salary of railway employees. For the purpose of increasing the income of the railway to meet the additional expenditure, measures like 5% increase in passenger fare, 10% increase in goods freight and 20% increase in parcel charge have been taken. This will bring additional revenue of Taka 14 crores--still leaving a substantial deficit.

#### Small savings:

70. Small savings through different savings instruments and Postal Savings Schemes have been gradually increasing. For example, the level of savings during 1981-82 was Taka 106.23 crores (gross) and Taka 30.90 crores (net). This will increase to Taka 164.50 crores (gross) and Tk 69.25 crores (net) during 1984-85. There is good prospect for generating even larger savings through savings schemes. For this purpose, several new measures have been taken to increase small savings through national savings schemes. These are--introduction of new 50 Taka Prize Board from September 1985, and intensification of safe promotion of various saving instruments. It is expected that the level of savings during 1985-86 will reach Taka 181.00 crores (gross) and Taka 77.25 crores (net).

71. On the basis of the new fiscal measures described so far, yield of additional taxes and revenues will be Tk 196.56 crores. Under broad categories this will come from:-

Income Tax . . . . .	55.00 crore
Excise duty . . . . .	82.00 "
Customs duty and ) Sales Tax ) . . . . .	23.00 "
Stamp duty, Registration fee, etc. . . . .	6.00 "
Land Development Tax . . . . .	10.56 "
Passport and Airport Fees . . . . .	6.00 "
Railways . . . . .	<u>14.00 "</u>
	196.56 crore

My dear fellow citizens,

72. Last year while standing before you I referred to certain subjects of national importance which deserve national consensus and consideration. I refer to my comments regarding foreign aid, relative roles of the public sector and the private sector and the place of subsidies in various sectors of the economy. The importance of correct appreciation of the role of foreign aid has become even more important during the last one year. Due to the nature of changes in the international economic scene and the policies

of the industrial countries, the aid environment has changed in an appreciable manner. It applies particularly to concessional aid for which Bangladesh is the major recipient in the developing world. Concessional assistance has become a scarce commodity and is increasingly going to be conditioned on policy performance. The resource projection for the TFYP will be based on these realities. In recent times the composition and conditions of aid, instead of improving, are changing in the opposite direction. This has been reflected in the outcome of the 1984-85 budget and in the estimates for 1985-86. Project aid is emphasized by donors to accelerate investments. Admittedly the importance of project aid is obvious as the five year development plan will call for sectoral and disaggregated investments. In the case of some sectors such as energy production, transmission and distribution, transportation, communication and port facilities, investments will be capital intensive. But investment in most of the priority sectors for the Third Five Year Plan such as agriculture and rural development, family planning and population control, education, rural employment generation, infrastructure development, etc. will require increased amount of local currency. Some donors have adopted policies for supporting a part of local cost financing. But the share of commodity aid has declined. In 1984-85 commodity aid commitment will be the lowest since 1979-80 and the share of project aid will be the highest since liberation. For 1985-86 also, fresh commodity aid commitments will be lower than what was available in 1981-82. Shortage of commodity aid has two implications--decline in resources for imports, and decline in generation of counterpart funds. Both these factors have direct bearing on generation of revenues and generation of resources for the Annual Development Programme.

73. The indications are quite obvious. We have to generate more domestic resources for realising local currency surplus, and we have to increase exports for financing a greater proportion of imports from our own resources. In a dynamic situation, in order to maintain a reasonable growth rate, Government will, therefore, have to go for adoption of appropriate policies. Donors have maintained that increase in their support will be contingent upon Government's own efforts. The budget for 1985-86 that I have placed before you and the export policy for the year, in my view, will contain some bold steps to cover new grounds--to provide higher incentives for exports, and to create new and expanded base for mobilization of domestic resources. One indicator will be relevant here. In 1984-85, the overall budget deficit, taking the revenue budget and development budget together, was 51.5%. In 1985-86, this will come down to 47.4%. This is a distinct improvement in course of one year, but this is not enough. In the Budget for 1985-86, normal increase in revenue is estimated to be only 8%--while expenditure is estimated to increase by 13.6%. The new revenue measures will cover the gap--leaving only a nominal surplus for the ADP. More will have to be done in future and it has to be a combination of raising additional resources and cutting down some avoidable expenditure. These measures will have to be continued and strengthened in the coming years. Total subsidy in the Budget Estimates for 1985-86, including the revenue and development budget, is over Tk 300 cr. The sooner we do away with this or substantially bring it down, distribution of resources will be more equitable.



74. In this connection I want to refer to one particular subject. Every year hundreds of crores of taka are spent through the Bangladesh Water Development Board on water development, flood control and irrigation projects. To cover a part of the cost of such investments steps were taken in the 1984-85 budget for the first time for collecting water rates. The target for water rate collection in 1985-86 has been set at Tk 8 cr. Every year due to implementation of flood control, drainage and irrigation projects through the Water Development Board area of irrigable land is increasing and the rate of investment is increasing even faster. But the entire administrative, operating and maintenance expenditure of the Water Development Board is being met as grant from the revenue budget of the Government. In 1984-85, an amount of Tk 26 cr. was allocated for this purpose which will go up to Tk 34 cr in 1985-86. It cannot be denied that because of development projects undertaken by the Water Development Board, agricultural production has gone up and the land owners in the project areas have been benefited. Leaving aside the capital cost, realisation of the operating and maintenance costs of such projects from the beneficiaries obviously deserves serious consideration. In this context it is essential to examine on an overall basis all issues relating to the management of such projects including issues relating to operation and maintenance expenditure. For this purpose, Government have set up a high level committee for reviewing existing legal and administrative provisions including examination of the full production potential of completed irrigation projects.

75. In the context of the TFYP the role and performance of the public sector as a whole has to undergo qualitative changes. The public sector should concentrate on better management and consolidation of the existing and ongoing investments, particularly in the field of industrial production. If public sector savings remain inadequate so should be the size of new public sector investment. The decision of the Government to increase wages, pay and allowances of Government and public sector employees places new responsibilities on this sector. Let us make no mistake that increase in salaries at a time when the unemployment level is high is a very special step and is justified only on the consideration of improving the efficiency of public sector management and in the implementation of development programmes and projects. The society has a right to expect better performance and better return on Government investments in the public sector. The next two years will therefore, be a period of test for the public sector.

76. There is also need for caution in selecting investments. Let me refer to the Government programmes of spending development funds through the Upazila system--both for creating Upazila infrastructure as well as direct development grants to the Upazila Parishads. Undoubtedly large cash expenditure on infrastructure, though will pay good dividends in future, are in the short run, not directly productive, and, therefore, have an inflationary impact. For the same reason expenditure of development grants needs to be carefully planned. From 1982-83 to 1984-85, total amount spent on account of Upazila infrastructure development and Upazila development grants will be Tk 850 cr. Another Tk 425 cr will be added

in 1985-86. Increase in price level in the rural areas in such a situation can be contained only by increasing agricultural production--both foodgrains and other crops. The elected Upazila, Parishad Chairmen, with the assistance of staff deputed from the Government will have to prepare their annual development programmes keeping this in view.

77. Another issue which needs urgent consideration is keeping the size of the Government and, therefore, non-development expenditure under control. Otherwise the quantum of revenue surplus will steadily decline. As it is, additional collection of revenue every year will have to exceed additional annual revenue expenditure substantially. Unless this is ensured in future years financing of the development programmes will undoubtedly suffer.

78. At this stage I would like to say a few words on the private sector and its role. Collection of revenue is based on cooperation of the private sector. The direction of Government policy is quite clear. Gradual reduction of dominance of indirect taxes, increase in collection of direct taxes through gradual expansion of the base of the tax system, while keeping incentives for savings and investments attractive for individuals as well for companies, are the main objectives of Government taxation policy. We hope the private sector will take full advantage of these measures. In order to enable the private sector to make fuller contribution to the process of economic growth and creation of employment opportunities, unprecedented facilities have been created and are going to be created under the New Industrial Policy. Steps are being taken for permitting investment with minimum amount of control subject to overall guidelines. In spite of one of the most attractive package of incentives, foreign private investment has been slow. Further simplification of the existing procedure for sanction will definitely help to change this situation. Investors in priority sectors will be enabled to obtain automatic approval for foreign equity participation within guidelines to be laid down under the industrial investment policy. Economic growth in the field of industries and trade will have to come increasingly through private investments. Tax incentives, greater allocation of bank credit, substantial concessions in respect of industrial loans--are special measures which the Government have taken with the expectation that the private sector will play a greater role in increasing economic activities, production and employment. I hope in the next five years private investments can be doubled in real terms. The Third Five Year Plan is expected to be flexible in matter of making room for greater private sector participation if there are positive indications. Resources can be a constraint. But if investments pick up it will be the duty of the Government and perhaps easier for the Government with donor support, to mobilize resources through aid, direct foreign private investment and joint ventures with equity participation. The new investment companies can play a prominent role in this area. For sound and viable projects, particularly in the export sector, commercial borrowings will also be permitted within given guidelines. Government role should be that of a catalyst to help private investment through provision of basic support such as power, gas, transport, telecommunication and port facilities. Even in the field of energy

development, the private sector can have a role to play. Over and above, appropriate trade and industrial policies will have to provide the environment for greater freedom of operation for the private sector so that resource allocation is not distorted. It will be absolutely essential for the private sector in its turn to earn confidence of the society--whether it is repayment of industrial or agricultural credit, or trade, or management of banks and investment companies.

79. I have already mentioned that inequity and distortions in various sectors of the national economy have attracted attention both inside the country and outside. The clear examples are subsidy on food, fertilizer, tubewells, newsprint, pricing of energy in rural and urban areas, concentration of social services in the urban areas, landholding pattern, misuse of bank credit for industrial and agricultural purposes, differential facilities in the case of export and import entitlement, and so on. These are issues which will need close attention and policy correction by the Government as early in the third five year plan period as possible.

My dear fellow citizens,

80. When I was given the task of announcing the budget for 1984-85, I had expected that for 1985-86 budget presentation would take place in a different setting. I am not competent to analyze why it has not happened that way. There may be debate--as to whether it was possible or unavoidable. But I can say only one thing, it is the economy which has certainly been the loser in the last one year. Earlier, I had referred to the slow growth in the industrial sector in 1984-85--only about 2.9% compared to 6.9% in 1983-84. While I have referred to several reasons for this in the earlier part of my speech, I wish I could say with confidence that political unrest and loss of man days through several strikes had not contributed to this. I had with great satisfaction announced last year the highest allocation for the education sector in the budget after liberation and budget grant for the education sector becoming the single largest item. Little did I foresee at that time that in the same year out educational institutions will be functioning for the smallest number of working days in any year since liberation. I am not making any judgment, but I am only referring to facts which none of us can afford to ignore.

81. I am also not competent to judge or predict when and how stable political arrangements, a pre-requisite for economic growth, will be worked out. Perhaps dialogues will go on as the intentions of the President are quite clear and unambiguous. I have no idea what the contents of political dialogues will be, but I think what we need at this time is what a distinguished political economist has termed a "Social Contract," a new understanding--a "contract" between the Government, private enterprises, trade, labour, farmers, the landless and the more fortunate ones in the society. Such a contract will have to be both explicit and implicit. It has to be transparent so that public sector enterprises, private enterprises, labour and farmers can go on putting their best for maximising employment and production of goods and services, that resources are allocated on the basis of social priorities and economic realities of

Bangladesh, that prices are determined based on costs, that taxes are paid voluntarily, and that bank loans which are deposits of the people are not misused. I cannot visualize that any group or individual can oppose such a social contract. I believe that this kind of an agenda can provide an important basis for future political dialogues.

82. The guidance and instructions of the President and Chief Martial Law Administrator which have provided the basis for the 1985-86 budget, with new directions and possibilities, contains, in my opinion, the foundations for such a Social Contract.

#### ABSTRACT OF THE TAX PROPOSALS

A-1 Customs:

(Taka in lakhs)

Sl. No.	Description	Import duty rate		Annual revenue effect	
		Existing	Proposed	Gain	Loss
(1)	(2)	(3)	(4)	(5)	(6)
1.	Bicycle tyre	100%	100% & 50% regulatory duty	125	...
2.	Single phase electric metre	2-1/2%, 15% & 50%	50%	20	...
3.	Grey portland cement	5%	20%	1500	...
4.	V-belt	2-1/2%, 15% & 50%	150%	150	...
5.	Pumps	50%	100%	60	...
6.	Umbrella ribs	75%	100%	...	...
7.	Duplicating ink	100%	100% & 25% regulatory duty	30	...
8.	Starch, liquid glucose & dextrose monohydrate	20% (For pharmaceutical industry)	50% & 100%	10	...
9.	Powder milk in retail pack of up to 2-5 kg	5%	5% & 2-1/2% regulatory duty	50	...

10.	Capital machinery	2-1/2% & 15%	2-1/2%, 10% & 20%	2000	...
11.	Ball point pen	50%	100%	25	...
12.	Yarn & thread				
	(i) single count yarn	20% & 35%	20% & 15% regulatory duty on all counts	...	...
	(ii) Bleached, mercerised sewing thread in hanks	50%	20%	...	...
13.	Quartz	50%	20%	...	...
14.	Drafting zone imported by BMTF	15%	2-1/2%	...	...
15.	CKD watches	100%	50%	...	...
16.	(i) Tucks & tagy tapes imported by actual manufacturers	150%	50%	...	...
	(ii) Stainless Razor Blade blank in strip	150%	50% (Repayment)	...	...
17.	Slab ingot and ingot	50%	20%	...	15
18.	Standby generator	20%	2-1/2%	...	...
19.	Shoe last	150%	50%	...	...
20.	Filter paper cut to size	150%	100%	...	...
21.	Button blanks	50%	20%	...	...
22.	Soldering wire and Soldering lead wire	150%	50%	...	16
23.	Raw materials for para- cetamol imported by manufactures only	10% & 50%	5%	...	...
24.	Fire bricks, lining materials and re- fractory goods	150%	50%	...	...



25.	Lacquer imported by canning industry	150%	50% (Repayment)	...	...
26.	Graphite Electrode	100%	50%	...	...
27.	Scientific, educational and medical appliances				
	(i) Shadowless operating lamp with reflectors and parts	150%	50%	...	5
	(ii) Epidioscope and parts	150%	50%	...	5

(incomplete)

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[Text] Following is the remaining part of the text of the budget speech by M. Syeduzzaman, Finance Adviser to President, on Sunday.

(Taka in lakhs)

Sl. No.	Description	Import duty rate		Annual revenue effect	
		Existing	Proposed	Gain	Loss
(1)	(2)	(3)	(4)	(5)	(6)
	(iii) Microscope and parts	20% & 100%	20%	...	2
	(iv) Refracting tele- scope	50%	20%	...	3
	(v) Astronomical instruments and parts	50%	20%	...	2
	(vi) E.C.G. recording paper	100% & 150%	20%	...	13
28.	Petrol taxi cab (up to 1300 c.c.)	50%, 100% & 150%	50%	...	...
29.	IWT and Trawler industry	(a) over 100% (b) over 50%	100% ) 50% )	...	50

30.	Identifiable spares of tractors	100%	15%	...	...
31.	Motorcycle:				
	(i) Built-up	50% & 20%	50% )	36	...
	(ii) CKD	5% & 10%	10% )		
32.	Compressed natural gas (CNG) kits	50% & 100%	Nil	...	...
33.	Office equipments:				
	(i) English type-writers and parts	100%	50%	...	110
	(ii) Duplicating machine and parts	100%	50%	...	80
	(iii) Calculators and parts	50%	20%	...	30
34.	Television:				
	(i) Coloured	75%	100%	25	...
	(ii) Black and white	50%	50% & 25%		
			regulatory duty	15	...
	(iii) CKD	5%	10%	25	...
35.	(i) Salt	Rationalisation of statutory rate			
	(ii) Sugar	Concessionary rate withdrawn			
36.	Life saving drugs:				
	(i) Sera )				
	(ii) Toxin ) 20%		Nil	...	...
	(iii) Cardiovascular drugs )				
37.	Regulatory Duty:			225	...
	(i) G.I. Pipe up to 8" dia.	Nil	10%	...	...
	(ii) G.P. Sheet	Nil	10%	...	...
	(iii) Sewing thread in hank	Nil	10%	...	...
	(iv) Ball point pen up to C&F value of Taka six per pc	Nil	10%	...	...
	(v) Rim and handle bar of bicycle	Nil	25%	...	...
	(vi) Stappling pin	Nil	10%	...	...
	(vii) Air conditioning machine up to two ton capacity	Nil	35%	...	...
	(viii) Insulator	Nil	10%	...	...
	(ix) Wooden pencil up to C&F value of Taka eighteen per doz	Nil	10%	...	...

(x) Centrifugal pump	Nil	10%	...	...
(xi) Electric Motor	Nil	25%	...	...
(xii) Shoe lace	Nil	35%	...	...
38. Banned items made permissible	Various	Various + 25% regulatory duty of statutory rates	...	...
39. Removal of minor anomalies	Various	Various	...	...

A-2 40. Tariff Value:

(Taka in lakhs)

Sl. No.	Description	Tariff value		Annual revenue	
		Existing (Tk)	Proposed (Tk)	Gain	Loss
(1)	(2)	(3)	(4)	5(+)	6(-)
(i) Cigarette		232 and 750 per thousand sticks	Abolition		...
(ii) Fents		130 & 160 per Kg	Abolition		...
(iii) TV		500 & 200 per 2.54 c.m.	Abolition		
(iv) Refrigerator and deep freezer		500 per 02832 cu. metre	750 per 02832 cu. metre	10	...
(v) Second hand clothes		Various	Various + 10%	250	...
(vi) Cloves		2,45,000.00 per m.t.	2,00,000.00 per m.t.	...	5
(vii) Cassia		95,000.00 per m.t.	80,000.00 per m.t.	...	5
(viii) White pepper		45,000.00	40,000.00	...	3
(xi) Cardamon		2,15,000.00 per m.t.	2,00,000.00 per m.t.	...	1
(x) Cumin seed		44,000.00 per mt.t.	33,000.00 per m.t.	...	3

(xi) Nutmeg	41,000.00 per m.t.	30,000.00 per m.t.	...	2
(xii) Sago seed	9,000.00 per m.t.	8,000.00 per m.t.	...	3
(xiii) Betel nut	8,000 per m.t.	20,000.00 per m.t.	150	...
(xiv) Crown cork	None	13 per gross	...	...
(xv) C.I. sheet	None	14,000.00 per m.t.	...	...
(xvi) G.P. Sheet	None	12,500.00 per m.t.	...	...
(xvii) Cigarette paper	None	135 & 270 per ream depending on size	...	...

A-3 41. Export Duty:

Sl. No.	Description	Export duty		Annual revenue effect	
		Existing	Proposed	Gain	Loss
(1)	(2)	(3)	(4)	5(+)	6(-)
(i) Tea	Taka 3.00 per Kg.	Nil	)		500
(ii) Wet blue leather	2-1/2%, 5% & 10%		)		

A-4 42. Amendment of Section 25 of Customs Act: Collector is empowered to buy under-invoiced goods at declared value.

43. Raw materials and small tools bank for small export processing units under bonded warehouse system.

## A-5 44. Sales Tax:

Sl. No.	Description	Sales Tax		Annual revenue effect	
		Existing	Proposed	Gain	Loss
(1)	(2)	(3)	(4)	5(+)	6(-)
	(i) Pig Iron )	10% and	Nil		
	(ii) Spiegelesion )	20%			
	(iii) Ferric-alloys)				
	(iv) Ingot and slab ingot	20%	Nil )		
	(v) B.P. Sheet	20%	Nil )		150
	(vi) Scraps & waste	20%	10% )		
45.	(i) Billet	20%	Nil		60
	(ii) Vessels for breaking up	20%	10%		300
	(iii) Identifiable tractor parts	20%	Nil		
46.	Drafting some imported by BMTF	20%	Nil		
47.	Sodium Dichromate imported by manufacturers of Basic Chrome Sulphate	20%	Nil		
48.	Medical, Scientific and Educational Instruments:				
	(i) Articles falling under 90.17 to 90.20 BCT	Nil & 20	Nil		10
	(ii) E.C.G. recording paper	20%	Nil		2
	(iii) Slide Rule, Geometry and Biology Box	20%	Nil		3
49.	(i) Miniature bus )				
	(coaster) )				
	(ii) Petrol taxi cab )	20%	Nil		48
	(iii) CNG Kit )				



50. Motor Cycle	Nil & 20	Nil		10
51. Grey portland cement	20%	Nil		1200
52. (i) Button blank ) (ii) Second hand ) blanket )	20%	Nil		10
53. (i) Powder milk in bulk	Nil	10%	50	...
(ii) Exemption on Sugar withdrawn	...	...	...	...
54. Consequential net effect of proposals regarding customs duty on sales tax revenue	...	...	190	...
<hr/>				
Total effect ..... (+)4946 (-)2646				
Less ..... (-)2646				
Net effect ..... (+)2300				
<hr/>				

#### A-6 Baggage Rules:

55. The existing Baggage Rules has been recaste. Under the new Rules:-

(a) the following articles for personal use only can be imported either in accompanied baggage or in unaccompanied baggage shipped from a country visited by the concerned passenger:-

- (i) articles of wearing apparel and clothing accesories in use;
- (ii) hand bags and travel goods;
- (iii) personal jewellery including imitation jewellery in use of value not exceeding Taka five thousand only;
- (iv) prizes, medals and trophies earned for distinction in sports, arts, culture, literature and science;
- (v) other articles of personal adornment, toilet requisites and one electric shaver in use;
- (vi) one watch and one traveller's clock;
- (vii) spectacles and other physical aids in use;
- (viii) one invalid chair;
- (ix) one perambulator or go cart and toys in reasonable quantities for the accompanying children;
- (x) one cigarette lighter, two fountain-pens, one pen knife, one scissors and similar objects of personal use normally carried in the hand bag or on person;

- (xi) one electric smoothing iron;
- (xii) one electric hair dryer;
- (xiii) 200 cigarettes or 50 cigars or 1/2 pound of manufactured tobacco or assortment of cigarettes; cigars and manufactured tobacco not exceeding 1/2 pound in weight;
- (xiv) 1/2 pint of perfumed spirits and toilet water of which not more than 1/2 pint is to be performed spirits;
- (xv) foodstuffs of a value not exceeding Taka five hundred only;
- (xvi) one bottle or up to 1/6th gallon of spirituous beverages, that is, spirits, wines and beers (for a foreign national only);
- (xvii) games and sports requisites in use excluding firearms but including an air gun;
- (xviii) one portable camera for still photography and 12 plates or 5 rolls of films.

(b) A passenger arriving from abroad may bring articles of domestic or personal use other than goods specified at (c) below in accompanied baggage only for making gifts to the members of his family. If continuous stay outside Bangladesh is up to thirty days he can bring articles up to the aggregate value of Taka two thousand only and if the stay is over thirty days, up to the aggregate value of Taka Five thousand only. No article of the same description so brought shall be more than six in number. These gift items will be free of duty.

(c) A passenger may bring the following items on payment of duty. The entitlement allowance for stay of more than 15 days but not exceeding three months will be Taka Four thousand; exceeding three months but not exceeding six months, Taka Seven thousand (once in a calendar year); exceeding six months but not exceeding one year, Taka Ten thousand only; exceeding one year but not exceeding three years, Taka Fifteen thousand only and for periods exceeding three years; Taka Twenty thousand only. Not more than one unit of any of the articles specified in the list shall be allowed.

	<u>Rates Customs duty</u>
1. Television set:	
(a) Black and White	50% ad val.
(b) Coloured	50% ad val.
2. Refrigerator	50% ad val.
3. Deep Freezer	50% ad val.
4. Washing machine	100% ad val.
5. Domestic cooker and oven	75% ad val.
6. Pressure cooker	50% ad val.
7. Radiogram	100% ad val.

8. Three-in-one	75% ad val.
9. Cassette or tape recorder	50% ad va.
10. Sewing machine	50% ad val.
11. Knitting machine	50% ad val.
12. Typewriter	25% ad val.
13. Two-in-one	50% ad val.
14. Cloth drying machine	75% ad val.
15. (a) Radio with turntable	75% ad val.
(b) Radio with cassette deck	75% ad val.
(c) Cassette deck with turntable	75% ad val.
(d) Cassette deck	75% ad val.
(e) Cabinet	75% ad val.
(f) Amplifier	75% ad val.
(g) Tuner	75% ad val.
(h) Speaker	75% ad val.
(i) Equalizer	75% ad val.
(j) Turntable	75% ad val.
16. Movie camera (8 millimetre only)	125% ad val.
17. Movie projector (8 millimetre only)	125% ad val.
18. Dishwasher	125% ad val.
19. Slide projector	125% ad val.
20. Water cooler	50% ad val.
21. Vacuum cleaner and floor polisher	100% ad val.
22. Table or pedestal fan	75% ad val.
23. Air conditioner or air cooler	100% ad val.
24. Video cassette player	125% ad val.
25. Home computer	10% ad val.
26. Video game player and cassettes therefor	125% ad val.
27. Crockeries	150% ad val.
28. Cutleries	150% ad val.

- |  |                        |
|--|------------------------|
| 29. Utensils   | 150% ad val.           |
| 30. Kitchen equipments including grinder, mixer blender, toaster all sorts, etc. | 150% ad val.           |
| 31. Bed linen (one set only)   | 150% ad val.           |
| 32. Drapery linen (one set only)   | 150% ad val.           |
| 33. Articles of professional effects as defined in rule 2(c)                     | 25% of the normal rate |
| 34. Wall paper   | 100% ad val.           |
| 35. Other household goods not exceeding Taka 500.00 in aggregate                 | 100% ad val.           |

(d) A passenger returning after six months may import once in a year, a video cassette recorder or two-in-one (with VCR) or a three-in-one (with VCR) on payment of customs duty at the rate of 125% in excess of the above noted facilities. The blank and printed video cassette tapes up to a reasonable number may be brought within the entitlement ceiling on payment of customs duty at the rate of 125%.

(e) If a passenger brings in accompanied baggage goods exceeding his entitlement by not more than Taka three thousand, he will be allowed to clear them on payment of customs duty at the rate of 150% or 250% with 20% sales tax depending on the items involved. This shall not be applicable to goods import of which is not otherwise permissible.

(f) No articles other than those listed under paragraphs (a) to (e) can be brought under the Baggage Rules.

(g) A passenger has to make declaration in the 'A' form on arrival. Subsequent declaration will not be allowed.

## Excise Duties:

(Figures in lakhs)

Item	Existing Rate	Proposed Rate	Increase (+)	Decrease (-)
1	2	3	4	5
1. Cigarettes	9 slabs	24 slabs	+2500	
2. Biris	Tk 13.20 per thousand sticks	Tk 14.80 per thousand sticks	+500	
3. Gas	(i) Tk 10.45 per thousand cubic feet for use in the generation of power and in production of fertilizer	Tk 12.80 per thousand cubic feet	) ) ) ) ) ) )	
	(ii) Tk 29.41 for commercial (regular) use per thousand cubic feet	Tk 37.54 per thousand cubic feet	) ) ) ) )	
	(iii) Tk 33.85 for commercial (seasonal use per thousand cubic feet	Tk 43.03 per thousand cubic feet	) ) ) ) )	+4000
	(iv) Tk 21.65 per thousand cubic feet for Industrial use	Tk 28.13 per thousand cubic feet	) ) ) ) )	
	(v) Tk 21.65 per thousand cubic feet for domestic use	Tk 27.77 per thousand cubic feet	) ) ) ) )	
4. Matches	Tk 3 per gross	Tk 5 per gross	+172	
5. Medicine	5%	10%	+1200	
6. Bricks	Tk 20 and 25 per thousand	Tk 100 per thousand for gas-burnt bricks	+100	



Item	Existing	Proposed	Increase	Decrease
7. Radio	(a) One band Tk 25 ) (b) 2 bands Tk 75 ) (c) Others Tk 150 )	10%	10	
8. Cinema houses	(a) 5% of the capacity in rural area (b) 10% and 20% of the capacity in the up graded districts	10% of the capacity 20% of the capacity	+100	
9. Regulatory duty	Nil on glass sheet	2%	+15	
10. Cement	Tk 500 per ton for limestone cement	Tk 203 per ton		-350
11. Liquid soap	20%	5%		
12. Detergent	10%	5%		
13. Oxygen, Nitrous oxide and acetylene	20%	10% for medical use		
14. Soyaprotein Biscuit	10% (exempted up to 30-6-85)	Nil up to 30-6-86		-20
15. Bus body building	10%	Nil for cottage industries		
16. Relaxation of definition of cottage industries				
			(+) 8597	(-) 370
			(-) 370	
Net .....			(+) 8227	

## Income Tax

## ANNEXURE 'C'

1. Provision for rebate of tax on income received from passenger buses and launches (-20 lakhs)
2. Exempting capital gains from tax in special cases (-20 lakhs)
3. Raising exemption limits of dividend and interest income (-10 lakhs)
4. Deduction of advance tax from interest payable on fixed deposits (+26.50 crores)
5. Collection of tax in advance on import of selected items (+14 crores)
6. In consequence of special programme for collection of income tax (+15 crores)

Net increase (+55 crores)

## Wealth Tax:

Raising the value of agricultural land up to take three lakhs as an allowable deduction (-2 lakhs)

## Gift Tax:

Due to repeal of Gift Tax (-15 lakhs)

## Stamp duty:

## ANNEXURE 'D'

1. Increase in collection of stamp duty due to amendment of the Registration Act (+) 5.00 crores.

## Registration fee:

2. Increase in the collection of registration fee due to amendment of the Registration Act (+) 1.00 crore.

## Rate of stamp duty:

3. Effecting uniformity in the progressive rates of stamp duty. (+) 20 lakhs.

## Exemption of stamp duty:

4. Exemption of stamp duty on land owned by an entrepreneur and transferred for equity participation only to a limited company incorporated for setting up industry. (-) 50 lakhs.

Copy stamp:

5. Increase in the price of copy stamp. (+) 24 lakhs.

Airport Visitors fee:

6. Increase in the fee payable by visitors at the airports. (+) 50 lakhs.

Passport fee:

7. Increase in the fee for issue and renewal of passport. (+) 5 crores 50 lakhs.

Existing and new fees for issue and renewal of passport

Application for	Collection point of fees	Fee payable (in Taka)			Fee payable (in Taka) for renewal (for a year, or part of a year)	
		Very urgent	Urgent	Ordinary	Urgent	Ordinary
1	2	3			4	
International Passport	Collected within country	Existing 1000	400	200	80	40
	Collected by Bangladesh Mission	New 1500	600	300	120	60
		Existing 600	300		120	60
Special Passport	Collected within country.	New 400	1200	600	240	120
		Existing 200	100		40	20
	Collected through Bangladesh Mission.	New 600	300	150	60	30
		Existing 300	150		60	30
		New	600	300	120	60
Endorsement on International Passport	Collected within country.	Existing 80	50			
	Collected through Bangladesh Mission.	New	120	60		
		Existing	120	60		
		New	300	150		

Application for	Collection point of fees	Fee payable (in Taka)			Fee payable (in Taka) for renewal (for a year, or part of a year)	
		Very urgent	Urgent	Ordinary	Urgent	Ordinary
1	2	3			4	
Endorsement on special Passport	Collected within country.	Existing	40	20		
		New	60	60		
		Existing	100	50		
	Collected through Bangladesh Mission.	New	120	60		
Certificate of Identity	Collected within country.	Existing		20		4
		New		30		6
Duplicate Passport or travel Document	Same fee is chargeable as for the original					

Land revenue:

8. Increase in land development tax on non-agricultural land (+) 10.56 crores.

Existing and new rates of land development tax on non-agricultural land

Location of land	Description of land according to use	Rate of existing tax per decimal (in Taka)	Rate of new tax per decimal (in Taka)
1	2	3	4
29 specified Thana/ Upazila of Dhaka, Chittagong and Khulna	(a) Land used for industrial and commercial purposes	60.00	100.00
	(b) Land used for residential and other purposes	12.00	20.00
Municipal areas of old District Headquarters	(a) Land used for industrial and commercial purposes	10.00	20.00
	(b) Land used for residential and other purposes	4.00	6.00
Other areas	(a) Land used for industrial and commercial purposes	8.00	15.00
	(b) Land used for residential and other purposes	3.00	5.00
Tea gardens	Agricultural land	0.75	1.10

Railway:

9. Increase in the transportation charges (+) 14 crores

CSO: 4600/1778



## FINANCE ADVISER HOLDS PRESS CONFERENCE ON BUDGET

Dhaka THE NEW NATION in English 2 Jul 85 pp 1, 8

[Text]

Finance Adviser M. Syeduz-zaman has admitted that the additional amount needed for implementation of the new pay scale for government servants would create pressure on prices of essentials including food and clothings.

Addressing a post-budget press conference in Dhaka yesterday, he, however, said the pressure would be "tolerable" and it has to be overcome by increasing production of those essential commodities.

It may be pointed out that an amount of Taka 450 crore would be required in the current year for raising salaries and allowances for the government employees and those of the autonomous bodies, nationalised banks and financial institutions.

The Finance Adviser said the amount would be "only one tenth" of the total money supply during the year. He said the pressure on prices following implementation of the new pay scale would not be much more compared to that in last two years.

Referring to the national budget for 1985-86, he said the main objective of it is to alleviate poverty in the country through creation of more employment opportunities and raising productivity in fields and factories.

He pointed out that the success of the new budget depends on proper implementation of the import and export programmes, fullest utilisation of the external assistances and, finally, favourable weather.

Describing the budget as a "deficit" one, Mr Syeduz-zaman said efforts would be made in the current year for more mobilisation of domestic resources and providing an increased support to the local items besides generation of employment.

He said the climate of foreign aid during 1985-86 would also remain "uncertain", but added that still we have to depend on external assistance for a long time for the Annual Development Programme (ADP).

The press conference held at the old Sangsad Bhavan was also attended by Planning Minister Dr Abdul Majed Khan, Governor of Bangladesh Bank Mr Nurul Islam and senior officials of Finance and Planning Ministries.

Giving a comparative statement of dependence on foreign aid for the development programme over the last few years, he said the share of external resource for the ADP in 1983-84 was 85 per cent while in 1984-85 it was 80.5 per cent and in 1985-86 it has been estimated at 83 per cent.

Mr. Zaman said the Annual Development Programme has been prepared in keeping with the available resources. Various projects taken up under it have also been kept limited with according priority to the sectors of agriculture and food, education, energy and electricity and population control.

Besides, he said, the government has left provisions under ADP for rapid industrialisation

in the country with a view to creating employment opportunities for the people.

Under the new budget the Adviser said the income tax system has been modified in order to make it conducive for raising productivity and creating job opportunities. In addition, he said the personal income tax rate has also been reduced.

Referring to public and private sectors, Syeduzzaman said the main objectives of both should be how to earn confidence and trust of the society. He pointed out that both nationalised and private sectors have an important responsibility to ensure equitable distribution and use of national wealth.

He, however, said that the public sector would have to strive for increasing efficiency, production and profit. They should also make sincere efforts to repay the loans. Referring to the nationalised sector, he said a set of clearer guidelines and policy principles would be formulated for it.

Replying to a question, the Finance Adviser said the principal outstanding amount of fore-

ign aid as of June 30 last was 6 billion U.S. dollars and the amount of loans from the International Monetary Funds (IMF) would stand at 87 million dollars in 1985-86, 114 million dollars in 1986-87, 77 million dollars in 1987-88, 63 million dollars in 1988-89 and 87 million dollars in 1989-90.

He told another questioner that although the investment at the upazila level might be unproductive in short term but in medium and long term it would be "beneficial to our economy". He, however, said that necessary care should be taken so that the investment may not be counter-productive. He observed that investment at the upazila level might be the main key to boost growth rate of the national economy.

Mr Syeduzzaman defended increase in prices of fertilizer saying that "the price of fertilizer in our country is about 50 percent lower compared to that in neighbouring countries." He said the expenditure on fertilizer by a farmer is only 6 percent of his total cost of production.

30 August 1985

BANGLADESH

## NEW PAY SCALES FOR CIVIL SERVICE, INDUSTRY WORKERS

## Civil Servants' Pay Raise

Dhaka THE BANGLADESH OBSERVER in English 3 Jul 85 pp 1, 8

[Text]

The Government on Tuesday announced introduction of new scales of pay and other benefits following recommendations by the National Pay Commission, according to PID handout.

The Pay Commission Report was considered at a special meeting of the Council of Ministers on June 27 with President and Chief Martial Law Administrator Lt Gen H. M. Ershad in the chair.

The Council decided to introduce the new pay scales from June 1 1985 for the Government employees including Defence Services personnel and employees of autonomous bodies, corporations, banks and financial institutions.

It may be recalled that the National Pay Commission was set up in May 1984 under the orders of the President with the directive to submit report by December 31 1984.

Apart from the increase of basic pay under the new scales, substantial benefits will accrue to all the employees on account of house rent allowance, medical allowance, pensionary benefits and annual festival allowance/bonus.

The salient features of the new scales of pay are as follows:

(a) Number of scales for civil employees has been kept limited to the existing 20 scales. The minimum and maximum have been fixed at Tk. 500 and Tk. 6000 per month as against existing Tk. 225 and Tk. 3000 per month respectively.

The new scales are : I. Tk. 600 (Fixed); II. Tk. 5700 (Fixed); III. Tk. 4750-150-5500; IV. Tk. 4200-150-5250; V. Tk. 3700-125-4825; VI. Tk. 2800-125-4425; VII. Tk. 2400-120-3600; VIII. Tk. 1850-110-2620-120-3220; IX. Tk. 1650-100-3250; E B-110-3020; X. Tk. 1350-90-2250; E B-100-2750; XI. Tk. 1000-70-1560; E B-90-2280; XII. Tk. 900-65-1550; E B-75-2075; XIII. Tk. 850-55-1400; E B-60-1700; XIV. Tk. 800-50-1300; E B-55-1630; XV. Tk. 750-45-1200; E B-50-1550; XVI. Tk. 700-40-1100; E B-45-1415; XVII. Tk. 650-35-1000; E B-40-1280; XVIII. Tk. 600-30-900; E B-35-1110; XIX. Tk. 550-25-725; E B-30-965; XX. Tk. 500-20-860.

(b) It will be effective from June 1 1985.

(c) Dearness allowance, compensatory allowance, personal pay/allowance will be merged in the new scales of pay.

In the new scales of pay there will be no dearness allowance and compensatory allowance.

(d) House rent allowance will be allowed at the following rates.

(i) Up to basic pay of Tk. 800/- p.m. @ 50% of basic pay

(ii) from basic pay of Tk. 801/- 1250/- @ 45% of basic pay with minimum of Tk. 400/-

(iii) from basic pay of Tk. 1251/- 2500/- @ 40% of basic pay with minimum of Tk. 583/-

(iv) from basic pay of Tk. 2501/- and above @ 35% of basic pay subject to a minimum of Tk. 1000/- per month.

Hiring of private houses for accommodation of employees on the basis of approved 'ceilings' will be discontinued, but such ceiling may continue at the existing rate (in absolute amount) with reference to the present pay and till the expiry of the existing lease deeds.

(e) Conveyance allowance has been kept at the existing level.

(f) Medical allowance has been raised from Tk. 80/- to Tk. 100/- per month.

(g) Annual festival allowance/bonus on basic pay has been retained as per present terms and conditions, but rest & recreation allowance has been abolished.

(h) Gross pension of government employees will be 80% of the last basic pay drawn subject to a maximum of Tk. 3000/- per month.

(i) Pension of the retired personnel has been increased by 10% over the present net pension and dearness allowance.

(j) System of awarding higher scales ('Time Scale') without promotion will be discontinued.

(k) Pay of an employee will be fixed in the new scale corresponding to the original scale of pay/ Selection Grade of the

post giving full protection to existing basic pay, dearness allowance compensatory allowance, personal pay/allowance, if any.

(l) In addition in fixing pay in the new scales additional benefits in the form of increments will be allowed depending on the length of service.

(m) The employees will not be required to pay income tax on their salary as at present.

(n) Pay and allowances of the employees of Bangladesh Shipping Corporation and Bangladesh Biman have been kept outside the new scales of pay and will be decided separately for which the Government have decided to set up a committee for submission of its recommendations within a month. The Government have also decided that the new pay and allowances, as may be approved by the Government in due course for these two organizations, will be effective from June 1 1985.

Necessary Gazette Notifications for the civil employees and Joint Services Instructions (JSI) for the members of the Defence Services would be issued in this regard along with other relevant government orders in due course.

### Industrial Workers' Pay

Dhaka THE BANGLADESH TIMES in English 3 Jul 85 pp 1, 8

[Text]

Industrial workers in the nationalised sector will get a total monthly minimum wages of Tk over 1100 under new wage structures effecting from June 1, 1985.

Addressing a press conference at the central secretariat on Tuesday, Mr Anisul Islam Mahmud, Minister for Labour and Manpower said that the actual minimum take home pay would be Tk 848.

He said that the additional financial involvement due to wage hike would be about Tk 47 crore annually, but Tk 33 crore would be needed to meet the immediate expenditure. The workers would get salary under new scale from the next month.

He said that total wage bill of the workers of nationalised

sector industries amounted to Tk 259.3 crore, which would rise to Tk 305.43 crore.

Labour Minister said that the new minimum basic pay of Taka 560 for a worker was worked out by merging the current dearness and compensatory allowances. The monthly medical allowances will be Taka 100 which was Tk 80 at present. House rent likewise will go up. About 1,80,000 workers in the public sector industries would be benefited by the award, he said.

Referring to the agreement reached between the Government and the Jana Sadhin Sramik Federation and Sramik Karmachari Olkko Parishad, the Minister said that under

the agreement the minimum wage was fixed at Tk 460 against the existing rate of Tk 270 and it was supposed to be implemented on July 1, 1984 but it was delayed for about one year.

He said that considering the financial needs of the workers the government decided to increase the minimum wages by Tk 100 more to be made effective from June 1, 1985.

The Minister said that there will be no efficiency bar under new structure. The wages had been fixed by incorporating one increment for a period of three years with maximum five increments.

The Minister told a questioner that the government announced the new wage structure as employer of nationalised sector, covering this sector alone.

The Minister said the workers would be greatly benefitted though the earlier award was delayed due to addition of Tk 100 in their basic wage.

The Minister said that the government would have been happy if it could pay more to the workers who were the backbone of the country but it was not possible due to financial constraints.

In reply to a question, the Minister said that the prices of the commodities produced by the industrialised sector "might increase slightly" because of the wage hike.

He, however, expected that the public sector industries would be able to show increased efficiency.

He said that during dialogue with the labour leaders he found them "most reasonable and responsible in their suggestions."

Wage scale and fringe benefits under old and new awards are given below:

A. SCALE		
grade	old scale	new scale
1	270-7-340-8-380	560-20-860
2	285-8-385-9-410	590-22-920
3	300-9-390-10-440	620-24-980
4	310-10-410-12-470	640-26-1030
5	335-12-455-13-520	690-28-1110
6	355-13-485-14-555	730-30-1130
7	370-14-510-15-585	760-32-1240
8	385-15-536-16-615	790-34-1300
9	400-16-560-17-695	820-36-1468
10	415-17-585-18-729	850-38-1534
11	440-18-620-20-780	900-40-1620
12	460-20-660-21-825	940-42-1696
13	480-21-690-22-866	980-44-1772
14	500-22-720-23-904	1020-46-1848
15	520-23-750-24-942	1060-48-1924
16	570-24-810-26-1018	1160-50-2060
B. fringe		
benefits	old	new
House rent	90.00	168.00
Medical	60.00	100.00
Provident fund	22.50	46.67
Gratuity	22.50	46.67
Festival bonus	22.50	46.67
Encashment of leave		14.94
Other benefits		112.00
Total Tk.	291.50	554.95

#### EMOLUMENTS OF AN UNSKILLED WORKER

##### A. basic wage and allowance

	old	new
1. (a) basic wage	Tk 270	
(b) dearness allowance	Tk 162	
(c) compensatory allowance	Tk 25	
(all merged) =	Tk 457	Tk 560
2. house rent	Tk 90	Tk 186
3. medical allowance	Tk 60	Tk 100
4. conveyance	Tk 20	Tk 20
	Tk 627	Tk 849

##### B. other benefits

1. provident fund	Tk 22.50	Tk 46.67
2. gratuity	Tk 22.50	Tk 46.67
3. festival bonus (equal to one year's wage)	Tk 22.50	Tk 46.67
4. encashment of leave (half of 16 days)	Tk 7.20	Tk 14.94
5. other benefits (incentive bonus, attendance allowance, night allowance, share on profit)	Tk 54.00	Tk 112.00
	Tk 128.70	Tk 266.65
Total A&B	Tk 755.70	Tk 1114.95



BANGLADESH

WHEAT TO BE PROVIDED FOR FOOD-FOR-WORK PROGRAM

Dhaka THE BANGLADESH TIMES in English 27 Jun 85 pp 1, 8

[Text] The World Food Programme (WFP) will provide Bangladesh with 529,500 metric tonnes of wheat worth Taka 292 crore (US dollar 111.4 million) during next three years. This wheat will be used in the countrywide Food for Work Programme.

The Governing Body of WFP in a recent meeting in Rome approved WFP's contribution of wheat.

WFP at present makes the largest contribution, about 37 percent of the annual total, to FWP which is also assisted by the USA, Canada, Australia and West Germany.

According to a WFP press release almost two-thirds of 177,000 MT wheat which will be supplied by WFP each year will be devoted to earthworks undertaken by Bangladesh Water Development Board (WDB).

These works include coastal embankments, major river embankments, submersible and flash flood river protection embankments together with drainage and irrigation canals. It is widely believed that losses from May 24/25 cyclone could have been even more devastating had not been for the protection afforded by WDB's coastal embankments built with a contribution from WFP Food for Work resources.

An important feature of WFP's new Food for Work project is that it is designed to be expanded in time of emergency. Response to localised emergencies can be made from within the resources of the recently approved project. In the case of more widespread problems, such as the 1984 floods, WFP can approve additional resources which augment the ongoing Food for Work Programme.

WFP's Food for Work activities are mainly undertaken in the lean months for rural employment between January and April. At this time not only are job opportunities at a premium but the price of wheat in the open market reaches its peak. For many of the poorest consumers in Bangladesh, the Food for Work Programme tides them over this difficult season. Over 80 million-man days of employment are estimated to be generated in this way every year.

The new WFP project also makes provision for an all-women Post Monsoon Rehabilitation component to be carried out between September and November 1985 and in subsequent years. Not only will employment opportunities be created in the other lean period of the year before aman harvest, but the useful life of rural feeder roads should be extended by the compaction and shaping which will be undertaken directly after the monsoon period.

CSO: 4600/1772

BANGLADESH

INDIA'S 'MINI-FARAKKA' DAMAGES CROPS NEAR JESSORE

Dhaka THE BANGLADESH TIMES in English 28 Jun 85 p 2

[Text] Jessore, June 27--The agriculture production under the irrigation network of Kodla river under Sarsa upazila of Jessore district has been badly affected following construction of a big sluice gate and water reservoir on the river by India their side near Shutia under 24 Panganas.

Known as "Mini Farakka" the sluice gate was constructed last year causing stoppage of flow of water in the river in Bangladeshi territory. Following non flow of water in downstream irrigation plots on both sides of the river Kodla were dried up and no irrigation was possible since then.

The unions of Benapole and Sarsa are situated on the bank of river Kodla and this two unions were badly affected due to this construction and no supply of water.

Low-Lift-Pump

Until recently the farmers were mainly dependent on the water of Kodla river for their irrigation through traditional irrigation system and low lift pump, but as there was no water in the river the farmers were bewildered and find no other alternative to this problem.

Knowledgeable sources claimed that the entire area will be ultimately barren land unless India opened up the sluice gate and allows considerable drainage of river water.

CSO: 4600/1774

30 August 1985

BANGLADESH

## INDIA SEALS OFF TIN BIGHA CORRIDOR

Dhaka THE NEW NATION in English 18 Jun 85 pp 1, 8

[Text]

RANGPUR, June 17: The Indian authorities have again sealed off the Tin Bigha corridor and virtually set up a blockade around the Bangladesh enclaves of Dahagram and Angorpota with consequent sufferings to the enclave people.

While the blockade of the Tin Bigha corridor has stopped all movements to and from the enclaves, the Indian Border Security Force (BSF) was preventing the enclave people from entering the adjoining Indian territory for essential purchases and sales. The Indian action on the eve of the Eidul Fitr has made things worse for the enclave people.

According to reports received here, a number of people from the enclaves was robbed of and in some cases severely beaten by Indian civilians aided by the BSF men when they tried to go to Mekliganj Bazar and Dhaprahati in Indian territory recently for purchases and sales as allowed under agreements between the two countries to name a few, Abu Taleb, Majid, Akbar, Golam Mostafa and Salim Munshi are among the many who fell victim to inhuman torture and harassment by the Indians while on way to Mekliganj Bazar.

The virtual stage or siege of the enclaves has, besides causing miseries to all in the areas, particularly affected the day labourers and other low income people since they cannot come out to the mainland Bangladesh in search of work.

CSO: 4600/1770

JPRS-NEA-85-111  
30 August 1985

BANGLADESH

BRIEFS

ERSHAD MILITARY STATUS--The tenure of appointment of Lt Gen H.M. Ershad NDC, PSC as the Chief of Staff, Bangladesh Army, has been further extended for a period of one year with effect from December 1, 1985 according to a Notification issued by the Defence Division of the Ministry of Defence, an ISPR press release said in Dhaka on Thursday, reports BSS. [Text]  
[Dhaka THE BANGLADESH TIMES in English 28 Jun 85 p 1]

CSO: 4600/1775

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